The NATIONAL UNDERWRITER

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N. Y. Cites Billions Of Insurer Gains As Rate Hearing Ends

By KENNETH O. FORCE

NEW YORK—The insurance department closed the auto liability rate increase hearing by introducing an exhibit in which the 189 insurers authorized to write the auto line in the state were shown to have made gains of billions of dollars since Jan. 1, 1947.

The exhibit was put in over strenuous objections by James B. Donovan, general counsel of National Bureau of Casualty Underwriters, and Henry J. Friendly, counsel of Mutual Insurance Rating Bureau. Mr. Donovan seriously questioned the credibility of the figures and asserted that they contained hundreds of millions of dollars of duplication due to the ownership of subsidiary insurers by parent companies of groups.

J. M. Cahill

J. B. Donovan

Permission was granted Mr. Donovan by Arthur LaManda, deputy super intendent and hearing officer, to get a memorandum from Alfred M. Best & Co., from which the figures were principally obtained, explaining the duplication.

One question caused the audience to lean forward. "Has there been a slowdown in the payment of losses by the companies since November, 1957?" This was asked during his cross examination by George J. Gross, department counsel. The department disapproved the rate increase filing Nov. 12.

Andre Pouy, principal examiner in the property bureau of the department in direct supervision of stock casualty insurers, prepared the exhibit of growth, earnings and present financial condition of the 189 insurers. He contended that since he had shown the figures for each company individually and had used no aggregate figures for groups, the policyholders surplus figures in his compilation did not contain duplications.

Mr. Pouy was the only witness the

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Most Insurers Are Reducing New York Auto Commissions

Class 2 At 10% Looks Like Pattern, Metropolitan Area Hardest Hit, Market Tight

NEW YORK—The movement to modify commission scales on automobile insurance in New York metropolitan area is well under way. In the five boroughs where the premium is the highest in the country per car and the loss ratio is one of the worst, more insurers are taking more drastic steps than elsewhere in the state, in the way of both market cut-backs and commission reductions. Observers say the market in the metropolitan area is tighter than it has been and getting tighter.

Upstate, the market is said not to be tightening much, and fewer reductions in commissions have been made. However, one of the significant changes state wide has been the reduction in commissions on class 2 risks by Travelers and U.S.F.&G. Other insurers are expected to follow this move, which was made in Connecticut some time ago by National Bureau of Casualty Underwriters and Mutual Insurance Rating Bureau. This is the commission rate on taxicabs, public liveries, most buses, and similar high hazard, high premium risks.

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Some insurers have reduced commissions on BI and PDL on private passenger cars from 17.5 and 20% to 15% state wide, which is the scale on workmen's compensation, also a statutory coverage. Several insurers have reduced the commission on auto PHD from 25 to 20% statewide or at least in the metropolitan area.

If the opposition to an auto rate increase by the Connecticut department resulted in a reduction of the increase on class 2 risks coincident with a re-

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Hill, Mellor Advanced By Excess & Treaty

Excess & Treaty Management Corp. has appointed H. Edward Hill as vice-president and advanced Vincent Mellor to vice-president.

Mr. Hill, who was treasurer of the company's two predecessors—Excess Management Corp. and Treaty Management Corp.—has been in insurance since 1930. He joined the two management companies in 1950 as treasurer.

Mr. Mellor went with Treaty Management in 1951 after an insurance career dating back to 1930.

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Scott Wetzel Names Bean Manager Of Ogden Office

David E. Bean has been named manager of the new Ogden office of Scott Wetzel Adjusters, which was opened Dec. 17. Scott Wetzel Adjusters has its home office in Salt Lake City and also maintains offices in Pocatello and Idaho Falls, Ida.

Mr. Bean started as an adjuster for the Great American group in Washington in 1954.

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Twin City Agents To Hear J. C. O'Connor

Twin Cities Casualty Insurance Underwriters Assn. is sponsoring a special meeting for casualty and fire underwriting personnel on Jan. 21 at Minneapolis. Speaker for the occasion is James C. O'Connor, executive editor of the "Fire, Casualty & Surety Bulletins" of the National Underwriter Co., who will speak on what is ahead for the business.

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Ind. Department Gets New Office

The Indiana insurance department has been given approval by the state budget committee to leave the statehouse and share quarters with the toll road commission in the Old Trails building in Indianapolis. Cost of the move was estimated at $5,000 for remodeling the third floor of the building. The insurance department will pay $915 a month rent.

Late News Bulletins . . .

Want Compulsory In N. J., UJF In N. Y.

Gov. Meyner in his annual message to the New Jersey legislature asked for compulsory auto. The state has an unsatisfied judgment fund which is paying out $100,000 a month to innocent victims of uninsured negligent motorists and that has reserves of $4 million.

Gov. Meyner also asked laws giving the department more general notices and hearing powers, specific power to make regulations, increased authority to revoke or refuse to issue or renew company licenses, definite authority to force removal of untrustworthy insurer officers, a better section on liquidation of home companies, more powers over licensing and regulating producers and statutory requirement of internal audits from insurers between regular examinations. These requests grew out of criticisms of the department in connection with the alleged embezzlements from Firemen's by its former president, John R. Cooney.

In New York, which has compulsory auto but no UJF, a bill has been introduced for an assigned case fund to remedy the deficiencies in compulsory by paying innocent victims of negligent uninsured drivers. Gov. Harriman did not touch on the subject in his message to the legislature, but did ask an increase in disability benefits to $45 a week, extension of coverage from 20 to 26 weeks, and $10 a day for hospital up to $150.

Mr. Harriman also called attention to the insurance department's contention that workmen's compensation expenses may be too high and that the

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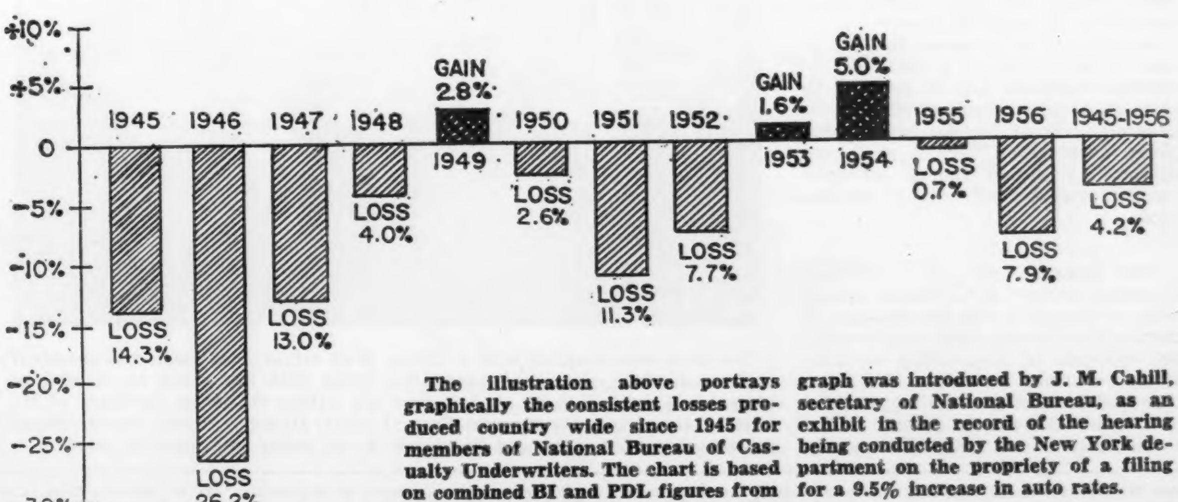

The illustration above portrays graphically the consistent losses produced country wide since 1945 for members of National Bureau of Casualty Underwriters. The chart is based on combined BI and PDL figures from the insurance expense exhibits. The graph was introduced by J. M. Cahill, secretary of National Bureau, as an exhibit in the record of the hearing being conducted by the New York department on the propriety of a filing for a 9.5% increase in auto rates.

Bills Requiring A&S Policies To Be On Lifetime Basis Pushed Again In N. Y.

Right To Convert Group To Individual Policy Is Also Provided In Measures To Be Introduced By Sen. Metcalf; Company Associations Will Offer Vigorous Objections

NEW YORK—Bills requiring individual A&S coverage to be on a lifetime basis after two years duration and giving group A&S certificate holders the right to convert without medical examination to an individual policy have been drawn up by New York's joint legislative committee on health insurance plans.

The series of four measures, according to early indications, can be expected to run into considerable opposition from the insurance business as did five similar bills which died in the legislature last year. Sen. Metcalf of Auburn, chairman of the joint committee, and some of his fellow committee members were slated to introduce the bills in both houses of the legislature on Jan. 13.

The committee will hold a public hearing Jan. 30 in the senate chamber at Albany.

The five original bills ran into a storm of protest at a prolonged hearing last year. Since then, the Metcalf committee and its staff have examined and revised them to meet some of the criticisms. Some changes were minor. However, the basic purpose of the proposed legislation is unchanged. Company associations regard them as objectionable as ever.

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It is too early to determine how much support the bills will receive from legislators, but it is known that they failed to get the unanimous support of the Metcalf committee members.

The first of the new bills provides that no individual hospital, surgical or medical expense policy issued by an insurance company may be changed, restricted, cancelled or otherwise terminated after two years from its date of issue and during the lifetime of insured. However, it does not change the present statutory definition of a "family member," so that a person no longer covered by that definition would not be eligible for coverage under the family policy.

A class of policies may be cancelled, however, if the superintendent gives permission, and if the policies are replaced by other policies then being issued which are most nearly comparable to the replaced policy.

Any change of premium for individual policyholders is prohibited, but the rate structure may be changed by class of policies. These provisions are generally similar for the "non-profit" plans, except that there is no 2-year preliminary period during which a contract may be restricted or terminated.

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The measure also provides that a person covered by a family policy, who no longer is eligible because of statutory definition, may obtain without evidence of insurability an individual contract providing the same type and amount of benefits provided him under the family policy.

The second bill says that group hospital, surgical and medical policies would provide a conversion privilege for persons whose insurance is terminated after they have been covered for at least three months or if the group policy itself is terminated and has been in force for more than one year. The terminated person would be eligible to obtain an individual policy without evidence of insurability.

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Individual policies issued by insurance companies would be required to provide benefits for hospital room and board for at least 21 days, miscellaneous hospital service expenses, benefits for surgical expenses and for in-hospital physician's visits. The superintendent will determine the minimum amounts of benefits and minimum surgical schedule. The companies could provide coverage in greater amounts. In the case of the "non-profit" plans the conversion would have to be to at least that generally issued direct payment policy which provides services most nearly comparable to the services provided by the group contract.

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The bill also limits the premium which may be charged for the conversion policies. The premium rate would not be greater than the rates set forth for the same benefits in the group rates then on file, plus a loading of not more than 10%. The experience of all conversion policies would be combined with that of the entire group business.

The measure would prohibit denial of benefits for pre-existing conditions and contains provisions regarding expenses incurred between the termination of insurance under the group policy and the effective date of the conversion policy, and a provision regarding questions that may be asked in the conversion application to pro-

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Agent Earns His Pay, Block Tells D. C. Assn.

WASHINGTON—Huntington T. Block, president of District of Columbia Assn. of Insurance Agents, in the January *Bulletin* of the association, comments on the statement of E. F. Gallagher, Chicago manager of Planet, "that commissions may well be too high and that their reduction might be the elixir for today's woes." Mr. Block points out that Mr. Gallagher "scoffed at a report that a commission drop of five points would mark the beginning of the end of the American agency system." Mr. Gallagher spoke at the December luncheon of the D. C. association.

In his reply to Mr. Gallagher, Mr. Block concludes that "If there is a resolution for 1958, let is be that we will resoundingly reaffirm that we who are on the firing line in this 24-hour-a-day, 7-day-a-week business of ours, are worth every last dime we are getting."

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Mr. Block suggests that Mr. Gallagher's proposal is another example of the softening-up approach "which we are getting on all sides. This sort of talk may well be the beginning of a broadside aimed at the reduction of commissions all over the country. You have already noted that several leading companies have reduced commissions on automobile insurance in New York. Activity in New York is often the bellwether for the whole industry, so we must be guided and guarded.

"What of our point of view? We agents are not unmindful of the seriousness of this underwriting trend, but we wonder if some of these commission-cutting spokesmen realize

(CONTINUED ON PAGE 27)

Two Tough Problems For Agents In 1958: Collections And Auto

In 1958 two phases of the agency business deserve important consideration, S. W. Schellenger, superintendent of agencies of Buckeye Union group, writes in the Beacon, *company publication. Some producers may be required to revamp their thinking on collections and their attitude toward the automobile business, he states. He goes on:*

Let's consider the agency collection problem. From the agent's point of view, it is his most important problem.

The successful agent in 1958 must have a firm attitude and policy toward extension of credit. He must collect his accounts within the flat cancellation period offered by his companies. Or, in any event, if partial payments are necessary, he must stay ahead of insured on earned premium in event cancellation for non-payment becomes necessary. Agents cannot afford to pay earned premiums for insured.

Collections will continue tight in 1958. The only way to combat such a situation is for the agent to quit extending credit to the point where it becomes necessary for him to dip into his own reserves in order to pay companies.

Sound agency management requires that credit extension on new business must be tighter than on renewals. Some agents will not release a policy on a new insured without a down payment.

All of this is so obvious that it would appear unnecessary to mention it. But, sometimes we are careless in

(CONTINUED ON PAGE 30)

High Loss Ratios No Reason For Cutting Commissions; Two Unconnected, Adam Says

John Adam Jr., vice-president of Central Mutual at Boston speaking to the Worcester, Mass., Insurance Society, discussed the future of the agency system in relation to the companies it represents.

There are many people in and out of the business who seem to think that the agency system is on its way out of existence, he said. Some agents say they are going to be put out of business if commissions are reduced. Other agents say that company costs should be substantially reduced, and if the companies were efficiently run there would be no need to talk of a commission cut. Finally, he said, there are those who say that both the companies and the agencies of the American agency system are going to be forced out by the direct writers and specialty insurers.

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The problem of the direct writer and specialty insurer has been evident for many years, he said. During the past decade, however, it has become so acute that in the automobile field it has become almost catastrophic.

For example, the 10 leading auto insurers wrote approximately $1.3 billion in premiums in 1956, but only slightly more than one-third, 36%, was written by agency system companies. Direct writers and specialty insurers wrote 54%, with the remaining 10% being written by auto insurance affiliates of finance companies.

On this problem has been superimposed the current problem of high loss ratios. For the first time in the history of insurance, he said, high loss ratios have plagued many property lines at

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The three men standing with J. Victor Herd (right), chairman and president of America Fore, recently retired after being with the group for a total of 166 years of service. From the left, they are Arthur D. Cohen, secretary of Fidelity & Casualty, with America Fore 52 years; Henry A. Keck, vice-president fire companies, 52 years, and Charles E. Swan, group treasurer, 62 years.

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- Single Premium Annuities.
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Four Named In Branch Office Changes Of Underwriters Adjusting

Several branch office managerial changes have been made by Underwriters Adjusting.

J. B. Jensen, manager at Clayton, Mo., has been promoted to general adjuster at St. Louis. He is succeeded as Clayton manager by John C. Margoni, who has been manager at East St. Louis. D. B. Rogers is transferred to East St. Louis as manager to succeed Mr. Margoni. He has been manager at Alton, Ill., and is succeeded in that post by Eugene L. Korte, who has been associated with Mr. Rogers.

New Hurt & Quin Officers

Langdon C. Quin Jr., vice-president of Hurt & Quin managing general agency of Atlanta, has been elected president succeeding his uncle, Robert S. Quin, who has been named chairman.

Mr. Quin joined the general agency, formerly headed by his late father, in 1945 as an underwriter, and subsequently served as a special agent. Elected a secretary in 1947, he was advanced to vice-president and assistant to the president following the death of Langdon C. Quin Sr. in 1954, at which time Robert S. Quin was named president.

Robert S. Quin joined Hurt & Quin in 1925, when it was a partnership composed of Langdon C. Quin Sr. and the late George N. Hurt. He was named secretary-treasurer in 1928, and was elected vice-president in 1933, following the death of Mr. Hurt.

N. Y. Farm Area Fires Will Cost Insurers $550,000

Fires which destroyed a bean and wheat warehouse, processing machinery and stock in Lyons, and a frame warehouse, drying plant and a stock of gladiolus bulbs in Wolcott, both in the upstate New York farm district, resulted in losses totaling $550,000. The fires occurred within a 12-hour period within 20 miles of each other.

The bean and wheat warehouse loss totals around $200,000. Warner's Reciprocals is the insurer.

The $350,000 loss on the gladiolus bulbs and warehouse includes $200,000 loss on the bulbs and $150,000 on the warehouse and machinery it contained along with the bulbs. The building and contents were insured in Aetna Fire, Great American, Hanover, Home, New York Underwriters, Northern Assurance, North America, North British, Phoenix of Hartford, Potomac, Royal-Globe, and Springfield F.&M.

Should AR Applications Get Notarization?

Richard Thompson, local agent at Valley Stream, L.I., writes in the January issue of the Bulletin of Nassau County Assn. of Insurance Agents:

The New York assigned risk plan thinks that notarization of the application makes the risk give honest answers. We feel and so told them that notarization belongs to horse and buggy days—even big gangsters notarized their income tax returns and didn't tell the truth so federal government did away with the requirement. Eliminating the notary and inserting a clause that fraudulent answers would void the application would in our opinion serve same purpose.

Bennett Named By F.&D.

Fidelity & Deposit has appointed A. K. Bennett manager and claims attorney in charge of the metropolitan New York claims office. He succeeds Thomas E. White who has retired. William L. Wallace will be associated with Mr. Bennett in the operation of the office.

Mr. Bennett joined Fidelity & Deposit in 1926 and was in charge of the Newark claim office before his appointment as claims attorney in New York in 1950. He was elected an assistant secretary the same year.

Mr. Wallace has been with the company in the New York claim office since 1930.

J. B. Mead Gives Talk At Houston

John B. Mead, vice-president of Marsh & McLennan at New Orleans, talked on insurance to be required of Marine independent contractors at a recent luncheon of Houston Area Insurance Buyers Assn.

Mariners Club of Massachusetts heard an address on the financial strength of long haul trucking companies by Kalman S. Schindel, manager of Central Analysis Bureau of New York, at the January meeting in Boston.

Mutual Agent Leader Asks Harriman To Act On N. Y. Auto Rates

Paul A. Garrick of Medina, president of Mutual Agents Assn. of New York, has appealed to Gov. Harriman to take immediate action on current demands for automobile liability rate increases in that state.

In an open letter to the governor, Mr. Garrick writes that despite evidence showing the losses insurers have taken on auto liability business in New York, Superintendent Holz has "persistently denied relief in the form of increased rates."

A public hearing on proposed rate increases recently was held by the department. If Mr. Holz again denies rate relief, Mr. Garrick writes, "your administration is inviting chaos unlike anything ever witnessed in the history of the insurance industry."

Another denial will force auto insurers to take court action against the superintendent, he writes, adding that during what will be a long and costly process for both the state and the insurers, underwriting losses will surely exceed even the staggering $24 million of 1956. Some companies will fail, others will be compelled to restrict or completely eliminate auto liability writings in New York, according to Mr. Garrick.

He told the governor that the more than 30,000 licensed agents and brokers in New York state are being pressed to find a market—short of the assigned risk plan—for many auto lines. Several companies, he writes, in a frantic effort to offset their disappearing surplus, have already reduced commissions, in turn causing agents and brokers to retrench, halt plans for expansion, reduce staff and overhead and—eventually—alter the service rendered to insured.

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New York law provides for rates which are reasonable and equitable, he writes, but Superintendent Holz adamantly refuses modest relief to more than 150 companies, citing reasons which are not based on actuarial facts, while at the same time granting a much larger increase to a single competing company.

"I am sure," he concludes, "I speak for every thinking person identified with this giant industry when I make this appeal to you, as our chief executive, to take immediate action to relieve our state of the truly dire impact of your insurance superintendent's actions in the automobile liability insurance situation."

Watters To Southern Group

Earl G. Watters has been elected treasurer of Southern General Progressive Fire. He was formerly vice-president and comptroller of American Mercury. His entire business career has been in insurance accounting, having been with Joseph Froggatt & Co., national auditing firm, and Allstate, as well as American Mercury.

Chicago Fire Engineers To Meet

Arthur B. Guise, technical director of research and development division of Ansul Chemical Co., will be guest speaker at the Feb. 11 luncheon of Chicago chapter of Fire Protection Engineers at Midland hotel. He will discuss the use of dry chemical and dry powder in fires and special hazardous chemicals and metals and the testing of foam compatible dry chemical. A 30-minute film will accompany Mr. Guise's talk.

Travelers Names 37, Travelers Indem. 25

Travelers has appointed two fire and marine managers, a claim manager and nine assistant claim managers, three district adjusters and a resident adjuster, 21 supervising adjusters. Travelers Indemnity has advanced 22 field supervisors to assistant managers and three field supervisors to assistant superintendents in casualty, fidelity and surety and fire and marine lines.

William C. Wagoner has been appointed fire and marine manager at Rochester, and Swift S. Sparks fire and marine manager at Little Rock. Mr. Wagoner joined Travelers at Buffalo in 1951, was promoted to assistant manager there in 1953, and transferred to Rochester last year. Mr. Sparks went with the company in 1951 at Houston. He was advanced to assistant manager at Oklahoma City in 1953.

Eugene C. Bonniwell Jr. has been appointed to succeed Chris G. Falkenstein as claim manager at Philadelphia. He joined the company there in 1929, and was promoted to assistant manager in 1951.

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Appointed assistant claim managers are Edward L. Cleary, Bridgeport; Clifford W. Stopp, Los Angeles; Harold D. Thomas, South Bend; Richard R. Doyle and John F. Kenney, Philadelphia; Wilmer G. Traxel, Milwaukee; Ross C. Miller, Indianapolis; Richard C. Weber, Toledo, and Edwin B. Warhurst, San Francisco.

Mr. Stopp joined the company at Detroit in 1923, later transferred to Los Angeles and was named supervising adjuster there in 1951; Mr. Thomas joined Travelers in 1924 at Toledo, was named supervising adjuster there in 1930, and transferred to South Bend in 1938, and Mr. Doyle started in 1928 at Philadelphia, and was named supervising adjuster there in 1949.

Mr. Kenney joined Travelers at Philadelphia in 1936, and was promoted to supervising adjuster in 1947; Mr. Traxel joined at Milwaukee in 1936, and was advanced to supervising adjuster there in 1943, and Mr. Miller started at Toledo in 1940, and was promoted to supervising adjuster at Indianapolis in 1948.

Mr. Weber joined Travelers at Toledo in 1946, and was advanced to supervising adjuster there in 1953. Mr. Warhurst joined the company at San Francisco in 1936, and was promoted to supervising adjuster there in 1940.

Promoted to district adjusters are John P. McGowan, Geneva, N. Y.; Stephen D. Johnson Jr., Mobile, and William C. Knighton, Amarillo. Carl M. Dickson has been named resident adjuster at El Paso.

Appointed supervising adjusters are John F. Berg, Worcester; Rodney L. Toy, Yonkers; Glen R. Muse, Lubbock; John J. Biglin and George M. O'Brien, San Francisco; Edward F. Link and Benedict A. Casey Jr., Philadelphia; Carl E. Culp and William J. Berghoff, South Bend; James R. Jones, Richmond; Joseph J. J. York, Reading; James E. Ehrmann, Milwaukee; Warren G. Fouraker, Jacksonville; William T. Elsey, Washington; Raymond A. Pigeon, Winnipeg; Raymond J. Mayer, Albany; William F. Fitzgerald, Daniel A. Healy Jr., and John J. Salmon, Boston; Paul V. Timmons and Robert L. Mohrfeld, Camden.

Travelers Indemnity assistant managers in casualty, fidelity and surety appointed are Frederick M. Rutledge, Fresno; Walter J. Shudde Jr., Long

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Home Makes Officer Shifts, Promotions

Walter W. Allen, vice-president and secretary in charge of Home's metropolitan and service departments, has been transferred to the office of the president where he will assume executive duties and work on special assignments. Norman C. Frost, secretary in the metropolitan department, has been elected vice-president and secretary of Home and Home Indemnity in charge of the metropolitan department which includes the New York state and northern New Jersey area. Irwin B. Somerville, secretary in the service department, has been placed in charge of that department, effective immediately.

W. W. Allen

Norman C. Frost

Irwin B. Somerville

Philip S. Rowan

Mr. Allen, who has been engaged in underwriting, production and service activities since joining Home in 1937, was elected an assistant secretary in 1946, secretary in 1947 and vice-president and secretary in 1952. Mr. Frost, who has had extensive field and administrative experience, joined Home

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Appoint W. E. Heaney Kansas City Manager Of Hartford A. & I.

Hartford Accident has appointed Walter E. Heaney to succeed Paul A. Dow as manager at Kansas City, supervising Kansas and the western half of Missouri. Mr. Dow has been named fire and casualty manager in the new southwestern department of Hartford Fire opening in Dallas.

Mr. Heaney has been assistant manager at Kansas City since 1941. He joined Hartford Accident at Chicago in 1915, and subsequently held claims positions at Indianapolis and Kansas City, where he was named a special agent in 1922. He was appointed assistant manager at Chicago in 1927, and superintendent of casualty at Kansas City in 1937.

To Hear Lowe At Minneapolis

Victor G. Lowe Jr., Minneapolis manager of the automobile assigned risk plan in Minnesota and the Dakotas, will address the January meeting of Insurance Club of Minneapolis.

Publish Brochure On The Advantages Of Corporate Surety

National Assn. of Surety Bond Producers has prepared and is distributing a brochure intended to produce a wider use of performance and broad form payment bonds on privately owned projects. Entitled "15 Advantages of Corporate Surety," the publication is being sent to all members of the association and will be distributed to practicing architects, engineers, banks, and suppliers of labor and materials.

Included in the brochure is an outline of how corporate suretyship developed, data on the need for bond protection on private work, and short discussions of the indemnity bond form, AIA form B-1, AIA form 107, and the major advantages which accrue when private works contracts are bonded by a corporate surety under acceptable bond forms.

Alexander & Co. Opens Office In New York

W. A. Alexander & Co. agency of Chicago has set up a new brokerage firm, W. A. Alexander & Co. of New York with offices at 75 Fulton street.

The New York operation joins W. A. Alexander & Co. of Chicago and Fox & Pier Inc. of New York. Wade Fetzer Jr., head of W. A. Alexander & Co., will be president of the New York organization and vice-presidents will include Walter M. Sheldon and John A. Sherman, executive vice-presidents of W. A. Alexander & Co. of Chicago, and John K. Cowperthwaite, president, and Robert G. Knott, vice-president, of Fox & Pier.

The new office in New York gives W. A. Alexander & Co. three major offices. Alexander & Co. of California with headquarters in San Francisco was opened about a year ago, and a Los Angeles branch was announced last March.

To Eye Insurer Taxes

WASHINGTON—Stock vs mutual insurer taxation is scheduled for consideration by the House ways and means committee in connection with hearings beginning this week. National Committee on Insurance Taxation reportedly will urge adoption of a new formula for taxing fire and casualty insurers. However, neither National Board nor Assn. of Casualty & Surety Companies are reported to be asking for any change in the law.

While some stock interests have asked that mutuals be taxed on the same base as stock insurers, factory mutuals want to go on the stock basis. American Mutual Alliance will be heard by the ways and means committee later this month.

Graves Rejoins Traders & General

S. E. Graves has been appointed assistant vice-president of Traders & General. Mr. Graves began his insurance career in the local agency business at Fort Worth in 1936. From 1937 until 1950 he was with Traders & General as special agent, branch manager and agency supervisor. After seven years with U. S. Casualty, he is rejoining Traders & General.

Sees Business's Need For Underwriting Simpler Covers, Uniform Commissions, No Flat Cancellations To Better Things

Hunter Lyon Sr., Miami general agent, gives a relastic assessment of the situation in the fire and casualty business, in the following comments:

We are entering another year in the insurance industry. What the future holds for it is only "hope and a guess." I, personally, am only "small fry" but have been connected with it for over a half century. I probably will be criticized for writing this letter, but if it will do any one in the insurance business any good, it would be worth the criticism.

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Our company heads for the past year have depended more on the advance in the stock market than they have on their underwriting. They have weakened and wrecked their chances of making a profit from underwriting by attempting to meet the competition of impossible policy contracts, and getting the forms of coverage so complicated that they themselves do not understand them.

They have raised the agents' commissions to such an extent that the acquisition cost has risen out of all proportions. In this state they continue to pay the largest commissions for the business that is causing the largest loss ratio (automobile liability). Many companies are even paying a contingent contract in addition to the commissions. The few who are able to collect a contingent do not offset the majority of agents who show heavy loss ratios.

If the companies paid a reasonable uniform commission to all agents and would adopt a simple form of coverage understandable to all, the term element and the printing element alone would reduce the acquisition cost.

When I speak of underwriting I don't mean mass underwriting by a frightened clerk, but individual underwriting. As an example, in my opinion there are more reckless automobile drivers between the ages of 21 and 65 than under or over this age limit. This applies to drunkards also. We are writing limits too high at the prevailing rates. If a man can afford to be sued for $300,000, he can afford to pay 10 times what he pays today for the coverage.

Our special agents today are mostly handshakers and collectors. They should be taught individual underwriting and held responsible for close examinations of risks.

There should be no more flat cancellations, and each risk should be examined as to its true value before a loss occurs.

The industry is sick, in fact very sick and it will take hard work and plenty of it to get a cure. The cure, however, will have to come from within our own ranks. We must stop trying to meet bad competition regardless of sacrificing a few premiums.

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Approve New WC Rates On Coal Mining In Pa.

Workmen's compensation rates affecting the coal mining industry have been revised in Pennsylvania, effective Jan. 1. The new rating schedule reflects an over-all decrease of 4.8%. Rates for bituminous mining are reduced 11.4%, coke burning 26.6%, anthracite mining occupational disease 16.6%, and bituminous mining occupational disease 14.2%.

An increase of 4% was made in the anthracite mining rate, and 13.4% in the culm recovery rate. The rate for surface mining remains unchanged.

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Exchange Elects Mrs. Tucker

Durham (N. C.) Insurance Exchange has elected Mrs. Hilda Tucker president, Dan P. Miller vice-president, and James Hawkins secretary-treasurer. Mrs. Tucker succeds Thomas B. Cranford.

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The **Baltimore-Washington Insurance Telephone Directory** has just been published by the National Underwriter Co. Copies may be obtained for $1 each from the National Underwriter Co. at 420 East Fourth street, Cincinnati 2, Ohio.

Change In Top Posts At American Title

Jay R. Schwartz has been elected president of American Title of Miami, parent company of American Equity group, succeeding John W. Lamble, who has been named vice-chairman.

Formerly executive vice-president, Mr. Schwartz is a founder of the company.

Jay R. Schwartz

John W. Lamble

Mr. Lamble also has been president of Reliable of Dayton and Equity General and continues in those positions. Mr. Schwartz continues as a senior executive of both those companies.

According to Joseph Weintraub, chairman of American Title, these executive shifts represent the second step in the company's plan to change from a multiple to a single line insurer.

"This plan has been under consideration for the past few years," he said, "and it was in anticipation of this step that American Title purchased 100% of Reliable's outstanding stock more than two years ago." This action was deemed advisable because certain states will not permit the licensing of a company for title insurance as well as fire and casualty insurance, he said.

American Title reinsured its fire and casualty portfolio in Reliable at the close of last year. It retained only its title insurance business.

Mr. Lamble entered insurance with Royal-Globe. He helped organize Fidelity & Guaranty Fire of Baltimore in 1929. He joined American-Equity group as president and director in 1956.

Split In Study Group May Doom Compulsory In Mich.

LANSING—As the Michigan legislature convened last week for its annual session, a governor's study commission which has been considering legislation pertaining to the uninsured motorist issued three minority reports. Failure of the compulsory proponents to obtain a clear majority for such a plan, despite strong efforts of James M. Hare, secretary of state, was regarded as probably dooming any such legislation at this session.

Nine of the 21 commission members signed a report prepared by Harold Norris, Detroit attorney, proposing both compulsory and an unsatisfied judgment fund. He argued that the special fund, to which every motorist would be required to contribute $2 annually, would fill the admitted gaps in coverage under a compulsory law because of cases involving non-residents, hit-and-runners, and other exceptions.

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A proposal for an unsatisfied judgment fund without compulsory was offered by Judge William C. Burke of Battle Creek municipal court and two other members, Elmer E. White, East Lansing, Michigan Press Assn. executive secretary, and Miss Cornelia Groefsma, Detroit. Under their plan, personal injury claims of $500 up to $10,000 would be payable from the fund which would be created from a $1.50 annual fee collected from insured drivers and a $10 fee from uninsured drivers. Three other commission members were said to favor this program.

Judge Burke also presented an alternative plan, backed by five other members, calling merely for a tightening of driver licensing and vehicle registration laws, recommending specifically that auto license plates be sold only to persons possessed of valid driver licenses or on declaration, accompanied by sworn affidavit, that the vehicle would be driven only by a licensed driver on penalty of instant forfeiture of plates.

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Mr. Hare, who has campaigned for a compulsory insurance law since he became the victim of an uninsured motorist some two years ago, estimates there are 50,000 unlicensed drivers operating cars in Michigan and that there are 300,000 uninsured cars. Mr. Norris, who wrote the report favoring compulsory, claimed uninsured drivers are involved in 20,000 accidents yearly. He would augment provisions of the proposed act by setting up an assigned risk plan requiring insurers to accept high-hazard drivers on a quota basis. The report said this would accommodate drivers "unjustly denied insurance".

Judge Burke has contended that the entire principle of a compulsory law requiring coverage of this class of driver is completely fallacious and that the important objective should be to remove such drivers from the highways.

Gov. Williams received the reports with a somewhat noncommittal statement to the effect that it is Michigan's duty to "lead the nation in making motorists physically safe and financially responsible" because the state is the leading motor car producer. "It is the purpose of this report," he said, "to further stimulate legislative and other programs to make Michigan motorists the most responsible and most safety conscious in the nation.

In addition to Judge Burke and Mr. White, the most vociferous opponents of a compulsory law on the commission were Waldo O. Hildebrand, secretary-manager Michigan Assn. of Insurance Agents, and Joseph V. Brady, executive vice-president Citizens Mutual Auto of Howell. The insurance spokesmen had repeatedly pointed out to the other members the disastrous results of compulsory laws in other states in raising rates and creating politically administered systems. They further noted that coverage against unsatisfied judgments is available at low rates to all insured drivers.

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Three Marion (O.) Agencies Merge

The Torrance-Smith-Stafford agency has been formed in Marion, O., by J. D. Torrance of the Kette-Torrance agency, John F. Smith of the Knapp agency, and George F. Stafford of the Stafford agency. A. W. Kette and F. M. Knapp have retired from business. The new agency has purchased a former residence and remodeled it for office use.

Set Program For Midwest Territorial Conference Of NAIA

The program for the Midwest Territorial Conference of National Assn. of Insurance Agents at Des Moines March 3-April 1 has been drawn up and is being distributed. This is the largest of the NAIA territorial conferences from the standpoint of attendance.

On March 30, a Sunday, the executive committee of Iowa Assn. of Insurance Agents, the state secretaries and the officers and official conference delegates will have meetings in the afternoon. All registrants will attend a buffet dinner.

The sessions will open the following morning with B. W. Hopkins of Des Moines presiding and with greetings from Gov. Loveless of Iowa, Commissioner Bennett, President Robert D. Cline of the Iowa association and President Wayne O. Dailey of the Des Moines association. Morton B. V. White of Allentown, Pa., will give the first address. He is a member of the NAIA executive committee.

In the afternoon Commissioner Navarre of Michigan, president of National Assn. of Insurance Commissioners, will lead off with a talk on "Will the Agency System Survive?" Other speakers at that session will be Arthur A. Hirman, local agent of Rochester, Minn., on "An Agents' Program for Sales and Service," and Harry F. Perlet, general manager of Multi-Peril Insurance Conference.

The program April 1 will open with a rural and small lines breakfast. The Midwest Territorial Conference committee will report to open the general session, and the speaker that morning will be William Peet of Marsh & McLennan at Minneapolis, on commercial account surveys.

Dr. Kenneth McFarland, educational consultant and lecturer of General Motors, will open the afternoon session and will be followed by an executive session and election of the conference and a business meeting and a luncheon of the Iowa association.

Smith Is Appointed V-P Of American F.&C.

Forrest S. Smith has been appointed a vice-president of American Fidelity & Casualty. He has been general claims counsel. In his new post he will supervise the legal and claims departments.

Prior to joining the company he was vice-president of Markel Service, which he joined in 1931.

He is secretary-treasurer of American Fidelity Fire and a director of Fidelity Bankers Life.

N. Y. Underwriters Promotes Johnson

New York Underwriters has appointed Emil A. Johnson assistant superintendent of the automobile department in the home office. He has been with the company since 1950 as an examiner, and also has been supervising auto liability operations.

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NAII To Hold Spring Workshop

National Assn. of Independent Insurers will hold its annual spring workshop meeting at Hotel Monteleone in New Orleans, March 12-13. Vestal Lemmon, general manager, said workshop sessions will cover claims, safety, public relations, underwriting, and rate filing requirements.

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The **Baltimore-Washington Insurance Telephone Directory** has just been published by the National Underwriter Co. Copies may be obtained for $1 each from the National Underwriter Co. at 420 East Fourth street, Cincinnati 2, Ohio.

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Farmers Elevator Mutual of Des Moines has been admitted in Texas.

Munich Re Appoints Stenger To Head New Faculative Division

Munich Management Corp. of New York, U. S. manager of Munich Re, has appointed William W. Stenger manager of the reinsurer's newly organized faculative fire and inland marine department. He will make his headquarters in the southern department at Atlanta, and will supervise all underwriting in this new department countrywide.

William W. Stenger

Formerly a fire and inland marine special agent of Zurich-American in Georgia, he was at one time a special agent of Georgia Inspection & Rating Bureau and an underwriter with Cotton Insurance Association in Atlanta.

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Consolidated Enters Ill., Names Brown Special Agent

Consolidated of Indianapolis has commenced a multiple line operations in Illinois, writing all general lines except A&H and bonds. Dale R. Brown, formerly with Commercial Union-Ocean group, has joined Consolidated as special agent in the northern part of the state excluding Cook county with headquarters temporarily at Naperville.

Consolidated, which is affiliated with Indiana, was licensed also last year in Kentucky, Michigan and Ohio and will begin operations in those territories shortly.

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John Reitze Retires From Hartford Accident

John W. Reitze, associate manager of the western department of Hartford Accident in Chicago, and a veteran of 36 years with the company, has retired. He joined the western department in 1921, was named superintendent of agencies in 1932, assistant manager in 1941, and associate manager in 1947.

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Battle Creek Agents Elect Horton

Kenneth Horton has been elected president of Battle Creek Assn. of Insurance Agents, succeeding Edward Baum. Other new officers are: Richard Vaughn, vice-president; Norman Evans, secretary; and Richard Lane, treasurer.

McConnell Offers NAIC Aid In U. S. Probe Of PL 15

Commissioner McConnell of California, in a letter to Sen. O'Mahoney of Wyoming, chairman of the Senate judiciary anti-trust subcommittee, has offered the cooperation of NAIC in view of a pending investigation of state regulation by that committee.

Mr. McConnell, who is chairman of NAIC's preservation of state regulation and federal liaison committees, wrote: "I respectfully suggest that these committees of the NAIC and the commissioners individually can supply your committee with complete and authoritative information covering the subject." The alternative, he said, would be to set up a new investigating and research staff to be paid out of funds appropriated for the Senate committee. "Such an expenditure is unnecessary and we want to cooperate with you to avoid it."

The McConnell letter continued: "Most recent reports indicate that your committee has not yet decided to schedule such an investigation. However, I am writing to you at this time as a precaution so that we may have an opportunity to discuss the matter at the inception of the planning of any such investigation."

Included in the letter was an excerpt from a joint report of the two committees headed by Mr. McConnell which was submitted at the December meeting of NAIC. The report cited the improvement of state regulation since Public Law 15 was enacted and welcomed any such investigation as a chance to "prove the value and adequacy of state regulation."

Pacific Indemnity Plans To Buy Swett & Crawford

Pacific Indemnity is completing negotiations to buy Swett & Crawford, its managing agents and organizers, and go on a branch office basis.

When C. B. Swett and C. H. Crawford, who organized Pacific Indemnity in 1926, retired last year they sold their interests to a group of old employes. It is understood the company will now buy those interests at 200%. Swett & Crawford, doing a $50 million annual business including $20 million in surplus lines, will continue as a surplus lines agency for London Lloyds. Swett & Crawford recently bought MacGibeny-Grupe of Chicago, a prominent Lloyds representative.

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Reportedly, Pacific Indemnity will pay 200% for the stock and sell back the surplus lines business to the stockholders who will continue to operate as Swett & Crawford.

Swett & Crawford is also general agents for Sun and coast manger of Union Mutual Life of Portland, Me. Union Mutual is expected to establish its own offices on the coast.

C. E. Roberts In New Post

Carolina Casualty of Burlington, N. C., has appointed Charles E. Roberts underwriting manager in charge of the central and western territories. He formerly was underwriting supervisor of Transport of Dallas.

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Hanover and Fulton have elected John P. Sullivan, vice-president, a director.

Zurich-American Makes Staff Changes

Several promotions and staff changes at Zurich have resulted from the retirement of Joseph F. McDonough, deputy U. S. manager, after 21 years of service. Mr. McDonough joined Zurich in 1936 as claim superintendent. He was appointed assistant U. S. manager in charge of claims and engineering in 1938 and became deputy U. S. manager in 1950.

Richard G. Maercklein has been named manager at Milwaukee, replacing A. D. Hazlewood, who has resigned. He has been with Zurich since 1955 when he became field representative at Grand Rapids. He transferred to the Chicago agency department as assistant director in 1956, and shortly after was appointed assistant superintendent of agencies, midwest department.

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Everett B. Johnson, formerly assistant superintendent, has been promoted to superintendent of agencies, midwest department, to replace Mr. Maercklein. Mr. Johnson has a background of 20 years in sales and insurance underwriting and production. He joined the company in 1943, and was appointed field representative for southern Illinois in 1954, becoming assistant superintendent under Mr. Maercklein in 1957.

W. H. Carns has been promoted to secretary in charge of the claim department nationwide. G. W. Fagerlin, formerly superintendent of claims in Detroit, has been appointed claim manager in the Chicago head office. E. D. Moore, assistant superintendent of claims to Mr. Fagerlin in Detroit, will replace him as superintendent there.

Straith-Miller Advanced In Claims By American

American has advanced Edward A. Straith-Miller from claims supervisor to claims manager at Indianapolis succeeding Thomas H. Fittz Jr. who has joined Wabash Fire & Casualty.

Mr. Straith-Miller entered insurance in claims adjusting and administration in 1937, and joined American Automobile at Indianapolis in 1943. He was named claims supervisor there in 1952.

Convention Dates

Feb. 6-7, Conference of Mutual Casualty Companies, fire conference, Conrad Hilton hotel, Chicago.

Feb. 10, West Virginia "I" Day, annual, Beckley.

Feb. 17--19, Health Insurance Assn., group insurance forum, Drake hotel, Chicago.

Feb. 19-21, Michigan Assn. of Insurance Agents, mid-year, Sheraton-Cadillac hotel, Detroit.

Mar. 5-6, Fire Underwriters Assn. of the Pacific, annual, Fairmont hotel, San Francisco.

Mar. 10-11, Health Insurance Assn., methods & procedures forum, Biltmore hotel, New York City.

Mar. 13-14, Conference of Mutual Casualty Companies, underwriting conference, Conrad Hilton hotel, Chicago.

Mar. 14-15, Tri-State Mutual Agents Assn., Lord Baltimore hotel, Baltimore.

Mar. 16-18, Eastern Agents Conference, Claridge hotel, Atlantic City.

Mar. 24, Rhode Island Assn. of Insurance Agents, midyear, Sheraton-Biltmore, Providence.

April 14-16, Life Insurance Agency Managers Assn., A&S meeting, Edgewater Beach hotel, Chicago.

April 24, Chicago "I" Day, Conrad Hilton hotel.

May 1-3, Louisiana Assn. of Insurance Agents, annual, Edgewater Gulf hotel, Edgewater Park, Miss.

May 2-3, Oklahoma Assn. of Insurance Agents, annual, Mayo hotel, Tulsa.

May 5-7, American Mutual Insurance Alliance, annual, Edgewater Beach hotel, Chicago.

May 8-9, Conference of Mutual Casualty Companies, claim conference, Conrad Hilton hotel, Chicago.

May 22, Midwestern Independent Statistical Service, annual, Bismark hotel, Chicago.

June 6-7, Pennsylvania Claim Men's Assn., annual, Bedford Springs.

June 8-11, Conference of Mutual Casualty Companies, management conference, Grove Park Inn, Asheville, N. C.

June 9-13, National Assn. of Insurance Commissioners, annual, Conrad Hilton hotel, Chicago.

June 11-12, Wisconsin Assn. of Mutual Insurance Agents, annual, Schwartz hotel, Elkhart Lake.

June 11-14, International Assn. of A&H Underwriters, annual, Statler hotel, Los Angeles.

June 11-14, National Assn. of Public Insurance Adjusters, annual, Hotel Traymore, Atlantic City, N. J.

June 19-21, Georgia Assn. of Insurance Agents, annual, General Oglethorpe hotel, Savannah.

Aug. 21-23, Montana Assn. of Insurance Agents, annual, Northern hotel, Billings, Mont.

Sept. 4-5, Conference of Mutual Casualty Companies, sales and agency conference, Conrad Hilton hotel, Chicago.

Sept. 8-9, New Jersey Assn. of Insurance Agents, annual, Traymore hotel, Atlantic City.

Sept. 19-20, Utah Assn. of Insurance Agents, annual, Utah hotel, Salt Lake City.

Sept. 22-24, International Claim Assn., annual, French Lick Springs hotel, French Lick, Ind.

Sept. 22-25, Assn. of Superintendents of Insurance of the Provinces of Canada, annual, Empress hotel, Victoria, B. C.

Oct. 5-8, Conference of Mutual Casualty Companies, annual, Chalfonte-Haddon Hall, Atlantic City.

Oct. 6-8, National Assn. of Insurance Agents, annual, New Orleans.

Oct. 19-21, Missouri Assn. of Insurance Agents, annual, Coronado hotel, St. Louis.

Oct. 20-22, Western Underwriters Assn., annual, Greenbrier hotel, White Sulphur Springs, W. Va.

Oct. 27-28, Health Insurance Assn., individual insurance forum, Drake hotel, Chicago.

Nov. 20-21, Conference of Mutual Casualty Companies, accounting and statistical, office methods, and personnel conferences, Conrad Hilton hotel, Chicago.

Dec. 8-12, National Assn. of Insurance Commissioners, midwinter, Roosevelt hotel, New Orleans.

COMMENTS TRENDS OBSERVATIONS

State Farm Tells Benefits, Problems Of 10-Year Decentralization Program

What are the benefits and problems involved when a big insurance company undertakes to decentralize its operations? Well-suited to answer this is State Farm, which in 1957 completed a 10-year, $10.5 million decentralization program. In July, the last operating division housed in the home office at Bloomington, Ill., was moved to an office in another part of the city, one of 14 such regional offices established by the company in the U. S. since 1948. A 15th is at Toronto.

This operations network services 4,916,000 auto company policies, the

R. F. Stockton

Edward B. Rust

416,000 policies of State Farm Life and the 949,600 policies of State Farm Fire & Casualty.

The decentralization program was born of necessity, explains Edward B. Rust, executive vice-president-operations and architect of the 10-year plan. Shortly after World War II, the auto company's policies-in-force began a rapid climb that would boost the count from 1.25 million in 1945 to nearly 5 million by the end of this year. This accelerated growth put tremendous employment pressures on the area.

"We quickly exhausted sources of qualified employes in a 60-mile radius around Blomington," said Mr. Rust. "We decided the time had come to move our operations out of the home office."

State Farm already had some experience in decentralization. In 1928, only six years after the company's founding, the western office was opened at Berkeley, Cal., but not as part of any over-all program. Prior to 1947, when the 10-year plan was drafted and approved, the western office housed the only operating divisions outside of the home office. In 1947, the first regional offices called for under the new plan were opened in leased space at St. Paul and Lincoln, Neb. The following year construction was completed on a new building for the Berkeley office.

Today, all of State Farm's 14 regional offices in the U. S. are in their own buildings. The St. Paul division moved out of leased quarters in 1956, Lincoln operations followed suit in mid-1957, and the last leased office, Dallas, occupied its new building this past October.

What does State Farm seek in choosing a location for a new regional office?

"We look for a community with a good source of capable, intelligent people to staff the office," says Richard F. Stockton, vice-president-operations and Mr. Rust's chief lieutenant. "Basically, we determine what employment opportunities already exist in relation to the population."

Another factor is the way the community shapes up as a place to live. Good schools, housing and recreational facilities are important. "A question we ask ourselves in looking over community candidates is, 'How would I like to live here?' " Mr. Stockton says. "We ask a lot of people to transfer into these new offices, and our people are important to us. We want them to like not only their jobs but the communities their jobs take them into."

Third requisite is good mail transportation service.

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Does State Farm attempt to locate regional offices in the center of heavy policyholder concentrations? "Not precisely," explains Mr. Stockton. "The policyholder's relations with the regional offices are all through the mails—premium notices, premium payments, etc. Pesonal dealings are handled by agents and claim representatives, so this is not a factor in locating the regional office."

The company finds these advantages in decentralization:

1. It brings the operations end of the business closer to the agency force. Underwriters can spend more time in the field, are more accessible to agents, and a closer working relationship and better understanding is the result.

2. The smaller, close-knit regional office is more efficient. Employes like it better, because a person has greater individual identity in a smaller office than in a large headquarters.

3. Better public relations result when payroll, tax and local purchase dollars are distributed throughout 15 communities instead of one.

What considerations lead to the decision to open a regional office?

In the early days of the program, the company set a figure of 100,000 auto policies-in-force in a particular region as the minimum necessary to justify creation of a new regional office. Now, 200,000 policies is the minimum number, and an average of 333,000 are actually serviced out of each existing office.

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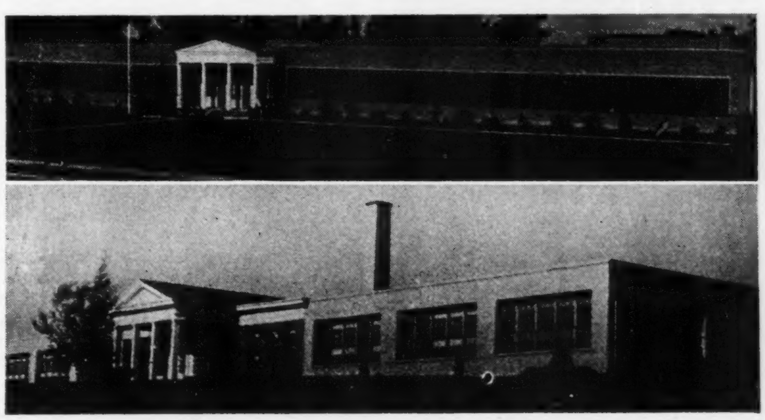
Last of the offices to go up under the 10-year program was the midwest office, located on a nine-acre site at the east edge of Bloomington. Home offices of three companion companies are in downtown Bloomington. The new Bloomington regional office houses the Illinois, Iowa and Indiana operating divisions. It is the largest of the regional offices with about three acres under roof. The general work area is a single room the size of two football fields.

Although with the opening of the Bloomington office, all operating divisions have been moved out of the home office, another regional office has been opened since. The northwest office at Salem, Ore., which began operations Dec. 16, was created by a split of the western office at Berkeley, and thus is not part of the home office decentralization plan. The Oregon and Washington divisions are at Salem. Construction of other offices in the future will come about in the same way—through the growth of divisions which have already been decentralized from the home office.

Such growth continues at a rapid pace at State Farm, the nation's largest auto insurer. The mid-Atlantic office at Springfield, Pa., a suburb of Philadelphia, was opened in 1956 and in little more than a year had outgrown its plant. Construction of an addition was begun in November and will be completed in the spring of 1958.

The company blueprints about 80 square feet of floor space for each employe, although there is slightly

(CONTINUED ON PAGE 28)



The two regional offices pictured here at Santa Ana, Cal., (top) and Marshall, Mich., are typical of the 15 regional offices established by State Farm in its decentralization program.

Fire, Casualty Insurers Now In The Life Business

In the last year or two quite a few fire and casualty insurers have organized life subsidiaries, or have acquired them, and more are expected to do so. Home recently purchased control of Peoples Life of Frankfort, Ind. Employers group is in the process of forming a life company. Hartford Fire, of course, long has had a charter for Hartford Life, but it has not been activated.

A partial picture of developments during the past two years is contained in this listing of life insurers which are subsidiaries of fire and casualty companies.

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Allstate Life formed by Allstate.

American Life formed by American Surety.

American States Life formed by American States.

Blue Ridge Life formed by Blue Ridge.

Citizens Life created by the conversion of Arex Indemnity, a subsidiary of Citizens Casualty.

Colonial Life acquired by Federal by an exchange of stock.

Commercial Standard Life formed by Commercial Standard.

Fidelity Bankers Life formed by Markel group.

Fidelity Life Association affiliated with Kemper group.

General Life formed by General of Seattle.

Hartford Life formed by Hartford Fire group.

Life of North America formed by North America.

Motor Club of America Life formed by Motor Club of America.

Peoples Life control purchased by Home.

Safeguard Life formed by Safeguard of London & Lancashire group.

Security-Connecticut Life formed by Security of New Haven.

United Pacific Life formed by United Pacific.

Valley Forge Life formed by American Casualty.

Western Life acquired by St. Paul F.&M. by an exchange of stock.

There also has been some activity in entering the life business on the part of A&S insurers. Protective Security Life of Los Angeles formerly wrote A&S only, Farm & Home of Indianapolis is now writing life, as is Time of Milwaukee.

Finance and investment companies have made similar moves, the three most recent being the formation of Investors Syndicate Life & Annuity by Investors Diversified Services of Minneapolis, Consumers Life by State Finance of St. Louis, and Cumberland Life by Associates Finance of South Bend, parent company of Emmco.

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Cullen & Crowther general agency at Minneapolis is now occupying its newly-completed building at 3118 East Lake street.

The new Continental National group building in Los Angeles was formally dedicated this week with Roy Tuchbreiter, chairman, presiding.

The $3½ million building will house the Pacific coast head office of Continental Assurance and the southern California branch offices of Continental Casualty, National Fire, Transportation and Transcontinental. Assisting Mr. Tuchbreiter with the dedication ceremonies were Howard C. Reeder, president of Continental Assurance and John T. Grant, resident vice-president.

The six-story building, with penthouse, full basement and adjoining multi-level garage occupies approximately one acre of ground. One unique construction feature is the column-free floor space. Each floor has only four columns, providing the maximum usable office space.

OL&T And M&C Rates Rise In More States

National Bureau of Casualty Underwriters has increased OL&T bodily injury rates for area and frontage classifications in five states and Alaska, and has increased M&C BI and PDL rates in five states, effective Jan. 15.

The OL&T changes and statewide increases are for California 8.2%, Indiana 20%, Massachusetts 6.3%, Nebraska 8.7%, New Hampshire 25% and Alaska 10%. Classifications affected include stores, hotels, churches, hospitals, clubs, restaurants, apartments and tenements, boarding or rooming houses, and mercantile and office buildings.

M&C increases are in California 12.4%, Michigan 15%, Montana 5.7%, Nevada 5.7% and South Carolina 1.8%. PDL changes result from payroll rule revisions, which are the same as are being adopted by National Council on Compensation Insurance and state WC rating bureaus. They are also being introduced in Nevada at this time for voluntary compensation and employers liability insurance, as well as for M&C. The revision provides for an increase in the amount of payroll to be included for premium computation purposes for each employe from the present limit of an average remuneration of $100 per week to $300. The revised rule also provides that the minimum amount per week for each executive officer be increased from $30 to $50 and the maximum amount from $100 to $300, and that the fixed annual amount under the "individual insured or co-partnership" rule be changed from $3,600 to $5,200 each.

Peck Reelected As Head Of Cincinnati Agents

Arthur M. Peck Jr. has been reelected president of Cincinnati Underwriters Assn. and J. F. Schweer has been continued as secretary. Newly-elected is J. H. Call who succeeds George Guckenberger as vice-president.

The governing committee is composed of the officers and Max Bernstein, L. C. Graham, E. A. Russell, J. R. Trainer and W. H. Wagner.

The association plans to honor Cincinnati Fire Chief Dan Vogel and Police Chief Stanley Schrotel at a luncheon, Jan. 30, at the Netherland Hilton hotel.

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The **Smith-Cailor agency** has moved to new offices at 4130 Market street, Youngstown, O.

Reliance Is Writing Homeowners Coverage At New Rates In Pa.

Reliance is using new, lower rates for homeowners forms A, B, C and tenants in Pennsylvania. The reduced rates became effective Jan. 15.

Agents of the company have been supplied with new rate charts and a new company manual for homeowners. Policies and forms, however, have not been changed.

Casualty Underwriters Names 3 V-Ps, Ups Capital

Byron Olsen, secretary, has been named senior vice-president and secretary of Casualty Underwriters of St. Paul. Also named vice-president are Robert DePalma, Wilmer D. Newton and LeRoy Toth.

Robert DePalma

The company has increased its capital and surplus by $150,000 through sale of 5,000 shares of common stock at $30 per share, adding $50,000 to capital and $100,000 to surplus. This gives Casualty Underwriters

LeRoy Toth

Wilmer D. Newton

combined capital and surplus of over $1 million at year's end. Premium writings were increased from $3,523,000 in 1956 to $3,927,000 last year.

Travelers Appoints 37, Travelers Indemnity 25

(CONTINUED FROM PAGE 5)

Beach, James A. Thobe, Van Nuys, Cal.; Kenneth F. Provost, New Haven; Maxie D. Jones Jr., Miami; N. John Fink, Newark; William J. Marsh, Charlotte; Walter D. Stauffer, Pittsburgh, and Frank L. Campbell Jr., Lubbock.

Appointed assistant managers in casualty, fidelity and surety, fire and marine are Vincent R. Artz, Harrisburg; Leo H. Barlow, Salt Lake City; Harry M. Powell, Halifax, and Roger A. Roy, Quebec.

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Named assistant managers in fire and marine are Willard J. Donaldson and Keith D. Tibbets, Los Angeles; Harold M. Cole, Denver; Richard W. Faley, Hartford; James A. Cotter, Boston; Alfred P. Josephsen, Newark; Donald C. Smith, New York; Robert P. Brassel, Dayton, and Theodore B. Patchen, Philadelphia.

Assistant superintendents in fidelity and surety appointed are John Hendrix Jr., Jacksonville; Willard W. Hubbard II, Detroit, and Raymond J. Gabel, St. Louis.

Travelers also has moved its Montreal branch to 550 Sherbrooke street west.

Ind. Department Plans To Probe Fire, EC Rates Of Sherwood Company

INDIANAPOLIS—The Indiana department plans to investigate rates charged by Independent Mutual of Indianapolis, according to Commissioner Palmer. Independent Mutual writes fire and extended coverage on household goods on a weekly collection basis at a rate of 50 cents per $1,000 per month. The only other company known to be offering comparable coverage here is Home, which has a rate of 26 cents per $1,000 per week.

The discrepancy was brought to light in a series of sensational stories in the Indianapolis *Times*. Independent Mutual's president is Elmer W. Sherwood, a colorful figure in Indiana politics who is now under indictment in the Indiana state highway department scandals in charges involving bribery. Sherwood helped found Independent Mutual in 1948. The company, which is not involved in the charges against Sherwood, specializes in insuring household goods in low-income Negro neighborhoods in Indianapolis and Gary.

According to the *Times* expose, the company was told to cut its rates in 1952, but it didn't. George N. Craig, governor from 1953 to 1957, was a protege of Sherwood's, and the *Times* strongly implied that this political tie-up kept the rates from being slashed during this time. The two commissioners during this era, Harry Wells and William J. Davey, maintained the company's rates were not called to their attention, although they said they should have been.

Blackburn Is N. C. Special

Ronald W. Blackburn has been named special agent of Central Mutual in North Carolina. The appointment follows two years training in underwriting, sales, and agency work at the home office. He will operate out of Greensboro.

White, Palmer Given Kemper Production Jobs

Walter R. White Jr. has been appointed manager of national risks production and Robert P. Palmer has

Robert P. Palmer

W. R. White Jr.

been named manager of agency production of the Kemper companies.

Mr. White, who has supervised boiler and machinery sales since 1947, went with Kemper in 1936 and is 2nd vice-president of Lumbermens Mutual Casualty and American Motorists. Mr. Palmer, advertising manager since 1954, joined the Kemper organization in 1935. He is secretary of Lumbermens and American Motorists.

Seeley & Co. Of Wash. And Oregon Not In Merger

The proposed merger of Landis, Pelletier & Parrish and Seeley & Co. of California in no way affects the continued operation of Seeley & Co. of Oregon and Seeley & Co. of Washington. The Oregon and Washington corporations bearing the Seeley & Co. name have been under separate ownership and management since 1932 following the death of the founder, C. M. Seeley.

Cincinnati Building And Contents Burn For Total

A spectacular and stubborn fire which gutted the five-story office building housing the Cincinnati office of the Ohio bureau of unemployment compensation is estimated as total to $255,000 insurance. North American was on the building for $135,000, Fidelity-Phoenix, $75,000 and Employers and California, $22,500 each. North America also had $36,000 rent cover. Contents, property of the state bureau, are reported to have been uninsured.

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The fire, a five-alarmer, has authorities baffled. It apparently got its start in an unused elevator shaft, spread to combustible records in the cellar and resisted practically every fire-fighting device. Chief H. C. Williams of the Underwriters Salvage Corps told THE NATIONAL UNDERWRITER that numerous coats of paint on the interior walls of the approximately 75-year-old building probably accounted for extraordinary smoke. Upwards of 30 firemen and corpsmen were affected, a few requiring hospitalization.

Of protective tarpaulins spread by the salvage corps, more than 40 were lost, the biggest single loss of covers in a single Cincinnati fire.

Stanley M. Rowe Jr. and other members of the Rowe family are the owners. Mr. Rowe is a vice-president of Cincinnati Equitable, a perpetual insurance writer. The company was not on the line.

Western Adjustment is handling the loss.

North Carolina Farm Bureau Mutual of Greensoro has named Alonzo C. Edwards, vice-president, president, succeeding C. Flake Shaw.

Plan Conference On Employe Benefit Fund Regulation

A national conference on employe benefit plan legislation will be held Jan. 20 in San Francisco, sponsored by U. S. Chamber of Commerce, Federated Employers of San Francisco, San Francisco Chamber of Commerce and Western Pension Conference.

Topic for the morning session will be "Why Legislation?" and will feature as speakers Paul J. Cotter, special counsel subcommittee on welfare and pension plan investigation of the Senate labor committee; Joseph L. Seligman Jr., attorney and past president Western Pension Conference; Julius S. Wikler, first deputy superintendent of insurance of New York, and F. Britton McConnell, California commissioner.

Speakers at the afternoon session, whose topic will be "What Legislation?" will be Lawrence M. Cathles Jr., vice-president group division Aetna Life; Esmond B. Gardner, vice-president Chase Manhattan Bank; Arthur J. Goldberg, general counsel industrial union department AFL-CIO; and Robert A. Hornby, president Pacific Lighting Corp.

The conference is designed to inform employers and those concerned with collective bargaining and welfare fund management, and to encourage them to take an active part in shaping new legislation that is foreseen in this field.

Carpinter & Baker Take Over Pacific Coast Ocean Marine For Great American

Effective Jan. 7, the west coast ocean marine business of American group is being handled in conjunction with the Pacific department by Carpinter & Baker, replacing H. M. Newhall & Co., which has represented the company in this capacity on the coast for many years. Carpinter & Baker has opened a coast office at San Francisco with Robert P. Mundhenk, a veteran of marine insurance, as manager.

Va. Agents To Sponsor Mandatory UM Measure

Virginia Assn. of Insurance Agents wants inclusion of the uninsured motorist endorsement in standard auto policies made mandatory in that state. The association is going to sponsor legislation designed to effect this in the 1958 legislature.

The association plan, to include a property damage liability feature, would provide that every auto liability policy include a provision insuring the owner of a vehicle, his wife and all other residents of his household for limits of 10/20/5. The PDL would have a $200 deductible.

St. Louis Brokers Install Officers

Earl S. Crecelius has been installed as president of Insurance Brokers Assn. of St. Louis. The other officers are: 1st vice-president, Eugene Savard; 2nd vice-president, Richard Vossburgh; secretary (10th term), Clyde Scott, and treasurer, E. R. Broeker.

Virginia Casualty & Surety Assn. heard Ray M. Paul, Richmond agent, at the January meeting. He discussed the legislative proposal of Virginia Assn. of Insurance Agents to include the uninsured motorist endorsement with property damage in the standard auto liability policy.

Nationwide Mutual New Auto Policy Is Introduced

Nationwide Mutual's "Century" auto policy is being introduced this month in most of its 17-state operating territory. The policy covers only private passenger autos, but has been broadened in several respects and new features have been added in most states.

There have been eight broadenings of benefits under comprehensive coverages, four under collision, and five under bodily injury and property damage liability. The principal new feature in 11 states is "family compensation," an expansion of medical payments. It was tried experimentally for a year in Maryland and Delaware under the name of "alternative compensation." It provides an injured third party the alternative of pursuing his claim under the laws of negligence, or of accepting compensation on a contractual basis, irrespective of liability. In the latter instance, a relase is obtained.

In addition to the usual medical payments, with a maximum of $2,000 per person, "family compensation" also includes a $5,000 death benefit for adults and a disability allowance of $5 per day when confined indoors for a maximum of 180 days. Death or disability payments for children under 18 years of age are lower.

The benefits follow the policyholder and related members of his household—whether as drivers of any car, passengers in any car or as pedestrians. It is estimated that approximately 75% of the benefits will go to policyholders, members of their family or guests. "Family compensation" will be available in New York, Ohio, Pennsylvania, Michigan, Indiana, Vermont, Connecticut, Rhode Island, South Carolina, Maryland and Delaware. However, the conventional medical payments coverage also will be available to those who prefer it.

Chicago Casualty Underwriters To Hear Bar Assn. President

E. Douglas Schwantes of the Chicago law firm of Berchem, Schwantes & Thuma and president of Chicago Bar Assn. will address Casualty Underwriters Assn. of Chicago at the Jan. 22 luncheon meeting at the Midland hotel. Mr. Schwantes will outline and explain a new proposed judicial article to modernize the court system and how it will affect insurance companies. He will also discuss the existing conditions of the courts, particularly in Chicago, where it is said about 85% of the cases relate to insurance. Reservations may be made through Harold L. Bredberg, president of Bredberg Reports, 176 West Adams street, who is secretary of the casualty underwriters association.

Vorys Bans Signature Stamps

Aurthur I. Vorys, Ohio insurance superintendent has ordered the department to discontinue honoring signature stamps in executing requisitions for agents' licenses. He said that from now on all requisitions shall be actually signed by a person authorized by the company to make such requisitions. He said use of the signature stamp had been abused.

The **Baltimore-Washington Insurance Telephone Directory** has just been published by the National Underwriter Co. Copies may be obtained for $1 each from the National Underwriter Co. at 420 East Fourth street, Cincinnati 2, Ohio.

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EDITORIAL COMMENT

N. Y. Compulsory As Seen From Mass.

The Boston "Herald" last week commented editorially on the compulsory auto insurance situation in New York in a vein that will be heartily seconded by insurance men. Under the title "We Could Have Told New York," the "Herald" points out that the object lesson of the experience in Massachusetts was ignored by the New Yorkers with consequences that hardly can be termed surprising. The editorial, reprinted herewith, puts the proper emphasis on the political ramifications of compulsory, and insurance people who have wondered what the shouting is about might see the picture more clearly from this viewpoint. Said the "Herald"—

New York last year adopted a compulsory automobile insurance law, and it is working out just the way our Massachusetts law has worked out, only faster. It took us a matter of 30 years to reach a degree of rate making chaos, but our sister state is getting there in a headlong rush.

The New York insurance companies last year asked a 9½% increase in rates on compulsory insurance, which there includes $5,000 property damage liability as well as $10,000/$20,000 personal injury liability. Their plea was rejected by the insurance commissioner, who conceded that the insurance companies had suffered losses in 1955-56, but insisted there would have to be more time to weigh the effect of the new law on losses.

Unofficially, according to the New York *Times*, Gov. Harriman's advisers suggested that an increase in the price of a product the public has to buy would be impolitic in an election year.

Does this have a home-like ring?

In New York the insurance companies are resorting to a device not available here. They are refusing to insure more and more bad-record motorists, who then must apply to the assigned risk pool.

These motorists are then assigned to a company, which must write the insurance, but which, in New York, can charge 25 to 35% higher rates for such coverage.

Not only bad-record drivers are being assigned to the pool, but even some who have no worse record than several traffic tickets.

In Boston this resort to higher premiums is closed to the insurance companies, because they can charge an assigned risk no more than the regular rate, however bad an accident record the motorist may have. This is, in fact, imposing a compulsory loss on the companies. In 1956, the companies operating here had to pay out $1.69 in claims under assigned risk insurance for every dollar collected in premiums.

The companies have no hope of getting the legislature to permit a surcharge on assigned risks here, politics being what they are. We can even venture a prediction that New York will move to cancel the surcharge there, politics being what they are in New York, too.

The mess that New York compulsory insurance is getting to be was also quite predictable. We could have told 'em!

PERSONALS

Archie Slawsby, president of the agency bearing his name at Nashua, N. H., was honored at a testimonial dinner sponsored by Nashua Fire and Casualty Assn. The occasion was in observance of Mr. Slawsby's recent election to vice-presidency of National Assn. of Insurance Agents. Some 300 representatives of New Hampshire and New England business and industry were present, including all six New England state associations of insurance agents represented by their presidents. Ex-Governor of New Hampshire Hugh Gregg officiated as toastmaster.

Ernest E. Hess, head of the Whitehaven agency, is the new president of Whitehaven (Tenn.) Civic Club. Prior to his retirement in 1950, Mr. Hess was resident manager of the National Underwriter Co. at Atlanta and had previously been in the field for the company on the Pacific coast.

Howard W. Bailey, state agent of Pacific of New York group in Wisconsin, and Mrs. Bailey celebrated their 40th wedding anniversary last week. Mr. Bailey has been in the Wisconsin field for more than 40 years, as both agent and field man.

David McFalls, formerly of the R. B. McFalls & Son agency in New York and past president of New York City Agents Assn., is now engaged in real estate business in Flemington, N. J.

DEATHS

CLIFFORD W. BROWN, 76, a founder of Merchants Mutual of Buffalo, and president of the company from 1934 until his retirement in 1955, died in Ft. Lauderdale. He was a past president of National Assn. of Mutual Casualty Companies and National Assn. of Automotive Insurance Companies.

ROYAL S. CLEAVES, 81, formerly with Marsh & McLennan in New York, died at his home in Elizabeth, N. J. His brokerage firm of Dunleavy, Cleaves & Burnham, founded in 1933, merged with Marsh & McLennan in 1946. He retired in 1951.

GEORGE M. WELLS, 86, president of the Home agency of Pine Bluff, Ark., died. In insurance since 1891, he was a charter member of Arkansas Assn. of Insurance Agents in 1901.

OSCAR E. ALESHIRE, 96, co-founder and partner of Parker, Aleshire agency at Chicago in 1901 and president of Modern Woodmen from 1938 to 1944, died in the hospital at Helena, Mont., recently having suffered a broken hip. He had made his home at Helena since his retirement from Modern Woodmen. He retired as a partner in the Parker, Aleshire agency in 1937. Entering the insurance business as a broker in 1891, Mr. Aleshire was very prominent in insurance affairs and at one time was president of the Chicago Board.

Before 1891 he had been publisher of a newspaper in Buchanan, Mich., and was a member of that state's legislature, representing Berrien county. Mr. Aleshire, who observed his 96th birthday in November last year, had recently been presented with a check representing the maturity value of his ordinary life insurance with Fidelity Life Association of Fulton, Ill.

One son, Donald W., is a principal of the Parker, Aleshire agency. Merlin C. Aleshire, another son, was also a partner in the agency until the time of his death in 1952.

J. ARTHUR FLECKENSTEIN SR., 60, executive special agent in Wisconsin for Corroon & Reynolds group, died at Milwaukee.

HARRY S. WILLIAMS, 74, long an adjuster with Western Adjustment, died in Grand Rapids after a short illness.

LEO A. RITT, 70, president of Midway National agency of St. Paul, died.

JACOB HEEREMA, 61, who operated an agency in Chicago, died.

D. W. ALEXANDER, 78, agent at Brownsville, Ky., since 1915, died at Bowling Green.

RICHARD T. GIRAUD, 80, who operated the Giraud agency at Houston from 1923 until he retired last year, died. His sons, R. T. Giraud Jr. and James H. Giraud, were associated with him in the agency and took over full management when Mr. Giraud retired.

STOCKS

By H. W. Cornelius, Bacon, Whipple & Co.
135 S. LaSalle St., Chicago, Jan. 14, 1958

	Bid	Asked
Aetna Casualty	126	130
Aetna Fire	52½	54
Aetna Life	185	189
Agricultural	25¾	26¾
American Equitable	29	31
American (N. J.)	23¾	24¾
American Motorists	9¾	10¾
American Surety	14½	15½
Boston	29	30½
Camden Fire	25	26¼
Continental Casualty	74	75½
Crum & Forster com.	47¼	50
Federal	38	39
Fireman's Fund	49	51
General Reinsurance	48	49½
Glens Falls	28	29½
Globe & Republic	16¼	17¼
Great American Fire	34	35
Hartford Fire	140	143
Hanover Fire	35	36
Home (N. Y.)	37½	38½
Ins. Co. of No. America	95	97
Maryland Casualty	32	33
Mass. Bonding	31	32
National Fire	71	74
National Union	32	33½
New Amsterdam Cas.	39	41
New Hampshire	39½	41
North River	33	35
Ohio Casualty	19½	21
Phoenix Conn.	61	62½
Prov. Wash.	12	13
St. Paul F. & M.	45½	47½
Security, Conn.	22	23
Springfield F. & M.	42	43½
Standard Accident	44	46
Travelers	74½	76
U.S.F.&G.	60	62
U. S. Fire	25½	26½

Late News Bulletins . . .

(CONTINUED FROM PAGE 1)

experience of state fund, which writes risks, including the hazardous, at self made rates, should be included with the experience of the private insurers for rate making purposes. He asked for a maximum $45 a week for WC benefits, $20 minimum.

He asked establishment of minimum investment standards for investments of welfare and pension funds. He will also try for wider health coverage for senior (aged) citizens.

NYFIRO Names New Assistant Manager

New York Fire Insurance Rating Organization has appointed John J. Freeman Jr. assistant manager of the New York City division. He has been assistant to the manager of the division two years. He joined NYFIRO as a field inspector in Buffalo in 1949, transferred to the central office in New York City in 1952, and joined the New York City division in 1953.

Pfoutz To Philadelphia For Standard Accident

Standard Accident has appointed Robert H. Pfoutz manager of the fire and marine underwriting department at Philadelphia. Mr. Pfoutz joined Standard Accident in 1956 to supervise production and underwriting of fire and marine business at Philadelphia. Before joining Standard Accident he was a special agent for six years with Great American.

N. Y. Cites Insurer Gains As Rate Hearing Ends

(CONTINUED FROM PAGE 1)

department put on, and when he had completed his appearance at the end of the third day of the sessions, the hearing was over. The department indicated it would have its decision in two weeks, and the bureaus, which had asked for the hearing after Superintendent Leffert Holz disapproved a filing for a 9.5% increase in private passenger BI and PDL rates and a 5.8% increase in commercial car rates, could take their case to the appellate division of the state court.

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The state "made its case" largely by cross examination of James M. Cahill, secretary of National Bureau, and Joseph M. Muir, general manager of Mutual Bureau. Mr. Gross continued throughout the hearing to emphasize the judgment that goes into incurred —as against paid—losses, and on the last day he elicited figures which showed that the dollar amount paid for administration expenses was considerably higher per car in New York state than in the remainder of the country.

Mr. Gross pointed out that the bureaus, by challenging the department's disapproval of the rate filing, have assumed the responsibility of proving that the ruling is erroneous. Hence they have to justify it.

Because the financial condition of the companies is important, he then said, he wanted to put Mr. Pouy on the stand to testify as to the condition of the insurers writing automobile liability in New York.

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Mr. Donovan objected that the principal effect of Mr. Pouy's figures is to show that the companies are solvent, which the bureaus are willing to stipulate. However, the figures cover the writings in all lines over the entire country. Mr. Friendly later brought out that they include fire, A&S, and even foreign business of the 189 insurers.

If it ever became established, Mr. Donovan declared, that solvency is a test of rate adequacy, the business and the departments would have to abandon all of their present concepts of rate making. To bring in the matter of solvency goes terribly far afield from the issues in this case, he added.

It is the responsibility of the superintendent to see to it that the companies are solvent at all times, Mr. La Manda commented. Yes, Mr. Donovan rejoined, but solvency has nothing to do with the issues in this case, and Mr. Pouy has not been engaged in rate making.

Mr. Donovan noted that the exhibit reflected investment earnings. That is another extraneous issue raised by the exhibit, he said, and added that if the intention here is to imply that investment earnings are to be considered in rate making, then investment losses must also be reflected in rate revisions—and the department and the public would not stand for that. Anyway, that issue was resolved years ago when the department and the business determined on a 3.5% factor for underwriting profit and contingencies.

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Mr. Friendly said the exhibit is misleading and prejudicial. For example, it contains the entire assets and policyholders surplus of companies, whatever their auto liability volume in New York. Federated Mutual Implement & Hardware, whose assets are shown in the exhibit as having risen from $11 million on Jan. 1, 1947, to $29 million plus on Sept. 30, 1957, wrote a total of $85 in auto BI and PDL in New York state in 1956. He said solvency certainly is not an issue here, unless the department is raising it.

Is it being contended, Mr. Donovan asked, that only a financially sick company is entitled to a rate increase?

Mr. Gross said he thought the companies would want to publicize the fact that they ac doing well. Is there some other reason for not disclosing this to the public—what is counsel trying to hide? he asked.

Mr. LaManda accepted the exhibit, and Mr. Pouy said that for the 10 years and nine months ended Sept. 30, 1957, the 189 insurers writing auto liability in New York showed a total gain from underwriting of more than $2 billion, from investment income of $2.7 billion, from capital gains of $2.2 billion. They paid almost $1 billion in federal income taxes, $1.3 billion in dividends to policyholders, and $1.1 billion in dividends to stockholders. They. increased their policyholders surplus by $3.5 billion in the period.

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On a "commercial" rather than an insurance basis, to account for equity in unearned premiums, etc., the insurers made an underwriting gain of $2.9 billion, he said. This made a yearly average of 8.3% on the amount of capital invested on Jan. 1, 1947. Net investment income by the year was 11.3% on the capital as of the start of the period.

Mr. Donovan brought out that the

underwriting loss in the first six months of 1957 just about offsets the underwriting gain of the preceding five years for National Bureau members. Mr. Pouy said this was true on a statutory basis but not on a commercial basis.

(The policyholders surplus of the 189 companies on Dec. 31, 1956, stood at $6,377,216,000, but fell by $609,416,000—to $5,767,800,000 six months later, on Sept. 30, 1957, according to Mr. Pouy's compilation. The 1957 portion of the figures were compiled from department records, and the figures for the remaining 10 years are from Best's.)

Mr. Donovan brought out that the ratio of New York auto liability premiums in 1956 to total premiums for that year for all lines countrywide was approximately 4.6.

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Mr. Donovan said that on a quick calculation the policyholders surplus of only three groups—America Fore, Hartford Fire and Phoenix of Connecticut—is overstated in Mr. Pouy's exhibit by approximately $500 million. He said such figures would not be allowed in an SEC statement and are downright misleading. Mr. Pouy rejoined that he did not take figures for groups, only for individual companies. He also contended that it is the asset figure—but not the surplus figure—that is pyramided in his exhibit.

Mr. Friendly pointed out that several mutuals own stock companies and that Mr. Pouy's compilation contains duplications on this account also.

Mr. Donovan also brought out by questioning that Mr. Pouy's figures do not reflect any increase in capital, put up over the 10 years and nine months, to take care of expanded business. Mr. Pouy said that contributions by stockholders were relatively insignificant, that other items were more so, unauthorized insurance for one.

Though the exhibit shows the dollar increase in surplus, Mr. Friendly observed, there is no indication of the relationship of surplus to liabilities. For his bureau's 23 members, this ratio dropped from 3 on Dec. 31, 1946, to 2.4 on last Sept. 30, he said. There was also a decline in this ratio for the 17 mutual subscribers to the bureau, he added.

In rate making it is necessary to rely heavily on the experience of the past, Mr. Gross suggested in his cross examination of Mr. Cahill. It is also essential, Mr. Cahill replied, to consider trends and prospective costs—which is spelled out in the New York casualty rating law. All other relevant factors must be considered, the law prescribes.

Contrasting fire and casualty rating, Mr. Cahill pointed out that in fire there is always the grave danger of catastrophes. Consequently, a rate making period of five years must be used to iron out the sharp effect of catastrophes.

In casualty, no period for rate making is prescribed. The difference, deliberately inserted into casualty rate making by the legislature, is that automobile liability rates cannot be influenced by catastrophe because they are made on the basic limits experience.

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Is rate making a science or an art? To this Mr. Cahill said it falls more into the category of a science. But the rate makers must exercise judgment and common sense and cannot be governed wholly by past figures.

But Mr. Muir testified that rate making is an art, Mr. Gross commented. Here are two experts who disagree as to what rate making is.

Mr. Cahill doubted if there was any disagreement on the basic elements of rate making.

"Wouldn't it be better to use objective standards rather than subjective judgment? For example, why not use known factors, such as paid claims, that can be put into an IBM machine and come out with the right answer," Mr. Gross continued.

"It might be the wrong answer," Mr. Cahill countered. Losses incurred but not paid are known factors. But, Mr. Gross said, they involve judgment. Mr. Cahill observed that the amount of reserve put up for incurred losses is accurate within a narrow range. but the

amount may vary from that actually paid, Mr. Gross asked.

For the benefit of the public, Mr. Gross went on, doesn't rate making need stability? Mr. Cahill said "stability" might produce hopelessly inadequate rates and dry up the market. It is more to the interest of the public to have adequate rates and a market.

Mr. Gross brought out that the incurred losses reported in the bureau filing for 1955-56 represented 77% of the total and were at the time of the filing the subject of judgment.

In his discussion of this point, Mr. Cahill said the reason some PDL claims are unpaid after two years is that they are tied in with BI claims—and the practice is not to settle the two separately. Mr. Gross in a series of questions sought to get paid losses separated from incurred, and steadily pressed the point that incurred losses involve judgment.

One exhibit put in at department request showed pure premiums for five years in New York. Questioning brought out that this premium, reflecting loss development, for the five years ended with 1956, was $41.60 for BI and $12.39 for PDL. The mean of the two years, 1955-56, for BI was 14.2% higher than for five years, and for PDL was 7.6% higher.

It was at this point that Mr. Gross asked Mr. LaManda to get the witness to give more concise answers. To which Mr. Donovan rejoined that the answers were tending to be more concise than the questions.

If five years of experience were used, the companies would not need a rate increase, Mr. Gross observed.

Those figures would indicate a reduction, Mr. Cahill replied, but this would disregard all of the upward trends.

But there may be a downward trend, Mr. Gross said.

"I hope so," Mr. Cahill replied. "But it won't come in the next few years." Mr. Gross cut him off.

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Mr. Gross put in an exhibit showing the average premiums for passenger cars for National Bureau companies in New York and all other states, and one showing these figures for principal cities of the country. The figures are as of Oct. 22, 1957.

Mr. Gross brought out that despite the rate increases in other states, the average premiums there are still below those in New York. Mr. Cahill commented that Massachusetts is excluded and that in that state there are some average premiums higher than those in New York. He added that the figures are the result of higher losses in New York. Some states have guest statutes—New York doesn't—and a guest statute is quite important in keeping down losses, he said. For example, Illinois has such a statute, but Pennsylvania doesn't.

Mr. Gross questioned Mr. Cahill about Illinois. Mr. Cahill said Illinois had no revisions 1951 to 1957 but in 1957 it had two totaling 57% for BI and 20% for PDL for passenger cars. In Illinois the bureau took the director to court on a rate disapproval and won the case, he added.

Mr. Cahill responded to Mr. Gross's questioning that auto liability rates have been increased in New York 48.2% for BI and 35.6% for PDL since the end of 1949. Since Jan. 1, 1947, the increases have totaled 97.3% and 87.9%. Countrywide except Massachusetts in that period the increases have aggregated 89.4% and 111.2%.

In the same period, Mr. Gross brought out, the consumer price index has only increased 20 points. But many things go into auto losses that don't go into the price index, Mr. Cahill rejoined, and claim frequency not at all.

What would the effect of including the experience of independent filers of auto rates in New York, Mr. Gross asked. Mr. Cahill said he would guess the result might be lower but the rates would be incorrect for companies in the two bureaus.

Mr. Cahill said the two bureaus now are using an accident year rather than a calendar year base for rate making. He explained that a calendar year includes all transactions in the year, whenever the accident occurs. But an accident year includes exposures and losses incurred for accidents that occur in that year.

Mr. Muir put in a letter to his bureau from Mr. LaManda, dated Jan. 7, approving a suggested "provisional rate and premium endorsement" which the bureau intends to have its companies attach to all policies except those subject to experience rating, with an effective date on and after March 1.

This would enable the insurers to collect the increase, if they win their case in court, even though the court has not handed down its decision by that time. This is similar to action taken by the insurers in Massachusetts, where the supeme court granted them a 20% increase last year after it was denied by Commissioner Humphreys.

Mr. Muir put in an exhibit showing the ratios of general administration, inspection, audit and bureau expenses to earned premiums for members of his bureau entered in New York.

The ratios are those used for rate making.

For companies writing 50% or more of their premiums in New York, for 1954 through 1956, these ratios were 6.6, 6.4, and 6.8 for BI. For the other companies in the showing, the ratios were 4.2, 4.4, and 4.5 for BI. For all companies, the ratios were 5.2, 5.3, and 5.5. The ratios for PDL were substantially the same.

Mr. Muir testified that these figures demonstrate that these expenses are higher in New York than elsewhere.

Mr. Gross developed that the "other companies" are dominated by five insurers, American Hardware, American Mutual Liability, Employers Mutual Liability, Liberty Mutual and Lumbermens Mutual Casualty. Expense ratios tend to decrease as companies get larger, and this is due to size rather than to geographic factors.

This exhibit shows that geography does influence expenses, Mr. Muir contended.

Mr. Gross then tried to get the dollar cost per auto for this administration, etc., expense outside New York. One of the department's contentions is that New York motorists pay a disproportionately high part of administration expense because the expense is factored against premiums and the premiums are higher per car in New York than elsewhere.

Figuring this expense against the average premium, Mr. Muir said the amount is $4.57 for 5/10 limits (20% higher for 10/20) in New York and $2.94 countrywide.

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If the outside factor were charged in New York, rates could be reduced in New York, Mr. Gross asked. Yes, Mr. Muir replied, but the return would then be insufficient to operate. If the New York contribution to administration expense were excluded, the $2.94 outside figure would be less, Mr. Gross commented.

Mr. Muir testified that in 1956 his members and subscribers wrote 24% of New York auto liability premiums. He said there is a three-way competition in the state—among mutual bureau companies, National Bureau companies, and non-bureau filers. No rating organization has a monopoly and the two rating organizations don't have.

Mr. Muir said Mutual Bureau uses National Bureau expense factors, which leaves a margin enabling mutuals to pay dividends and to provide a loss reserve above that set out in the rate increase filing.

As frequency and severity of claims increase, Mr. Muir stated, company expense rises because of more risk analysis, increased loss prevention, and more statistical and actuarial work.

An adequate rate level is essential in New York to provide a market, he said.

N. Y. Agents Meet On Auto Commission Situation

The current auto liability rate and commission situation in New York was the principal subject discussed at a 2-day meeting of New York State Assn. of Insurance Agents' directors and executive committee in Syracuse. The association has opened new offices at 731 James street there, and coincident with the meeting entertained members of Onondaga county association and various Syracuse insurance office managers at an informal reception.

Move Office Of Buyers

American Society of Insurance Management has moved its office in New York to 8 West 40th street. The society first had office at 79 John street in New York. Expansion in 1955 made it necessary to move to 32nd street.

Everett & Johnson, New York law firm specializing in insurance matters, has changed its name to Everett, Johnson & Breckinridge. Partners are Ewing Johnson, Malcolm Johnson, Numa L. Smith Jr., and John S. Breckinridge Jr. Eugene Chester has joined the firm.

ACCIDENT & SICKNESS

Continental Casualty Adds Free Dental Rider To A&H Plans

Continental Casualty has liberalized its A&H policies by attaching a rider to all hospital and surgical type plans to provide, without additional cost to the policyholder, coverage for certain dental surgery for patients confined in a hospital. The same rider also extends coverage for the administration of anesthetics by both hospital employes and specialists in the field, according to Dr. Clem Martin, medical director.

The new extension of benefits became effective Jan. 1, 1958 for all present Continental policyholders and is included in every new hospital type policy sold by the company after that date. There is no extra premium for this extended coverage.

"The extension of dental and anesthetic benefits is the result of Continental's continuing interest in medical advances," said Dr. Martin. "A dentist rather than a physician usually performs the kind of operation known as oral surgery. We see no reason for considering such operations different from an appendectomy or tonsillectomy when providing accident and health protection."

The new rider eliminates any distinction between oral surgery and other types of surgery. Treatment of a fractured jaw by a dentist provides the same basis for a claim as does treatment of a fractured leg by a surgeon, Dr. Martin pointed out.

Hospital room and board and miscellaneous expenses are now payable when a policyholder is hospital confined for any dental surgery, including extractions.

Surgical benefits are now made payable for oral surgery when it is necessary because of an injury, whether the operation is performed in the dentist's office or in a hospital. If the dental surgery is made necessary because of sickness or disease or if a dental extraction is done, the patient must be confined to a hospital in order to receive payment.

This does not mean that prosthetic or reparative dentistry will be covered but it does mean that all other oral surgery will be cared for under ordinary hospital and surgical type policies.

Dr. Jay H. Eshleman, chairman of American Dental Assn. council on dental health, described Continental's action as a "forward step" in helping meet the public's health needs.

"This new rider is welcomed by American Dental Assn. as indicative of a new trend to develop realistic programs for meeting the costs of dental care which in past years has been largely ignored in health insurance programs," he declared.

"The dental profession has repeatedly emphasized the fact that dental health is an integral part of total health. The extension of insurance coverage to dental surgery performed in hospitals is a logical step in the direction of improving the total health of the public."

Tells A&S Claims Men How To Meet People

How the A&S claims staff meets the public was discussed by W. A. Eggert, chief psychologist, Lumbermens Mutual Casualty, at the January meeting of Chicago Claim Assn. A good claims man should have a knowledge of people, especially the accident prone; a desirable manner in written and oral communication and a desirable attitude towards people, he said.

Primary psychological causes of accidents are negligence, impulsiveness, inconsiderateness towards others and impatience, Dr. Eggert said. These are the factors which distinguish accident prones—which constitute 10 to 15% of the population.

He went on to list several "does" and "don'ts" for claim men in their communication with insured. Don't talk too much, and don't use "slang" or too many big words, he said. Instead, the claims adjuster who assumes the role of a sympathetic, expert listener will generally get more information to help him settle a claim.

The Feb. 12 meeting of the association will feature a panel on A&S, group and ordinary life claims. Members are requested to submit for the panel no later than Feb. 5.

Ill. Department Issues Clarifying Bulletin On Commingling Rules

Director Gerber of Illinois, whose recently issued bulletin relative to establishing a separate trust fund account for premiums collected by agents and brokers in the state elicited considerable comment, both pro and con (with plenty of con in some quarters), has had distributed a clarifying memorandum. Mr. Gerber, who makes no bones about his office being a public trust and intending to justify that trust, points out in the memorandum that the bulletin in commingling was not intended to work extra hardship on the insurance industry in the state but for the good of the business and the general public.

However, the original order apparently appeared to some producers as quite stringent and difficult to comply with. Various groups and individuals, all of them having the ready ear of Mr. Gerber, presented their thinking, including objections, and from this evolved the current bulletin, which should let in sufficient air to answer practically all comers.

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Furthermore, it is pointed out that the department will on request provide interpretations of any aspect of compliance and answer questions as to procedures in accordance with the terms of the bulletin. Following are the department's standards of compliance:

"1. All brokers and agents will be given a reasonable length of time within which to comply with the requirement of the bulletin as to the establishment of a Premium Fund Trust Account, but in no case is compliance to be deferred beyond the end of the current license year, namely Feb. 28, 1958. Sooner compliance in individual cases, after notice, may be insisted upon.

"2. Unremitted insurance premiums and other fiduciary insurance funds are to be kept in the premium fund account separate from any operating, office, business or other accounts of agents and brokers. The account is not to be used for other fiduciary purposes not related to the insurance purposes of the account. Earnest monies, escrow funds and other trust monies are not to be kept in the account.

"3. Separate accounts are not required for the funds of each principal but funds held in the account for different principals should be reasonably ascertainable from the books and records of the agent or broker.

"4. Funds other than net premiums, return premiums and return commissions may be deposited in the account to the extent deemed prudent by the agent or broker for the purpose of maintaining a minimum balance or to guarantee the adequacy of the account or for the purpose, where proper, of the payment of premiums to an agent or company in advance of their collection. Funds may also be added for the purpose of establishing reserves for contingencies and for the payment of return premiums and return commissions. The deposit by an agent or broker of an entire premium collection will not be deemed an improper mingling of the net premium and the commission portion.

"5. Withdrawals from the premium fund trust account for the account of the agent or broker may not be made except to the extent that the remaining balance is at all times at least equal to the total of net premiums collected and return premiums and return commissions credited or received and not yet remitted to the person, agent, broker or company entitled thereto.

"6. If net premiums are required to be and are in fact remitted to the agent or company immediately upon receipt or within fifteen days, and if express consent of the principal affected is given to the agent or broker, such funds need not be cleared through the premium fund account."

7.5% N. C. Fire Rate Hike Rejected, But Might Be Approved If Amended

Commissioner Gold of North Carolina has turned down a filing made by North Carolina Fire Insurance Rating Bureau which would have boosted fire rates an average of 7.5% statewide, and produced an additional $2,790,000 in premiums annually.

Mr. Gold left the door open for an amended filing, however. He questioned some features of the bureau proposal differentiating between unprotected dwellings, but suggested he might approve a differential if some amendments are made in the plan for distinguishing between risks.

With the exception of the unprotected dwellings, he said, there is merit to the rest of the filing and if the bureau wishes to separate it, consideration will be given to approval. He recognizes the need for an increase in the rates on dwellings in unprotected areas because of unfavorable over-all loss ratios, he said.

Rollins Leaves $500,000

Charles E. Rollins Jr., founder of Rollins Burdick Hunter Co., who died last November after a long illness, left an estate estimated at $500,000, it was disclosed as his will was filed in Probate court at Chicago. He left $5,000 to Ripon College, Ripon, Wis.; $17,000 to eight relatives, and the balance to his widow, Bertha H.

North British Names Felgar Successor To Connors In So. Cal.

North British has appointed Walter W. Felgar, special agent in Los Angeles and southern California since 1947, to supervision of the territory formerly handled by William A. Connors, who has retired as local secretary at Los Angeles after 29 years with the companies.

Ian C. Thomson, special agent in southern California, has been named to succeed Mr. Felgar in that territory.

F. & D. Moves McCarthy To Pittsburgh, Promotes Emerick In Cincinnati

Fidelity & Deposit has transferred Robert C. McCarthy, Cincinnati manager since 1956, to Pittsburgh and appointed him associate manager there. He is succeeded at Cincinnati by Grant P. Emerick who advances from assistant manager. Henry W. Webster Jr., Indianapolis special agent, has been transferred to Cincinnati in that position.

Mr. McCarthy joined the company as a special agent at Pittsburgh in 1951. He was named assistant manager the following year. Mr. Emerick has served the company as a field man since 1949, first at Cleveland, and then as assistant manager at Cincinnati. Mr. Webster went with the company at Boston in 1955, and was named special agent in Indianapolis the next year.

Four Are Advanced By N. E. Fire Rating Assn.

New England Fire Insurance Rating Assn. has made three promotions in Massachusetts and one in Rhode Island, three of these to fill vacancies resulting from retirements.

Daniel F. Collins has been appointed superintendent of improved risks at Boston, succeeding Assistant Manager Herbert P. Bruce, who has retired; and William H. Watson has been named divisional manager in charge at Springfield, succeeding Assistant Manager E. Stuart Giles, also retired.

William B. Collins has been advanced from assistant divisional manager to manager. He succeeds Edward Devine as head of the Rhode Island office in Providence. William A. Farnsworth has been named assistant divisional manger at Worcester, where he will assist Edwin E. Riley, divisional manager.

Pritchard & Baird, reinsurance consultants and intermediaries of New York, is moving to new quarters in the 123 William street building.

Agent Earns His Pay, Block Tells D. C. Assn.

(CONTINUED FROM PAGE 2)

that a drop of five points represents a 20% salary cut to meet this disastrous situation..

"We would ask these spokesmen to serve the starving 10 years apprenticeship which is tantamount to success in this great business of ours, and then carry on without benefit of pension plans, paid vacations, stock bonuses and the like. Let them then come back to us and say that we are receiving too much commission.

"We Washingtonians particularly know what it is to maintain a well-equipped office and a highly trained staff. We, too, have found out only too painfully what inflation can do to out cost of operation.

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"We are told, and we believe, that the real source of today's trouble is this same inflation. Our companies have never quite been able to adjust their rates quickly enough to meet the onslaught of the under-valued dollar. I suggest that a more readily responsive rating formula is today's answer and the only answer for the future. To obtain such a rating structure is not an easy task when one considers the many diversified jurisdictions, regulations, and the like which must be contended with, but in my humble opinion this is the nut to crack and this is the job of the leaders of our industry. There must be something radically wrong with an industry which is losing millions of dollars annually in New York and yet is so bereft of leadership that it is unable to sell its plight adequately enough to obtain the rate relief it so justly deserves.

"Modern inflation is not something new—we've had it for at least eight or nine years. Certainly some more steps could have been taken more effective to keep the rate structure in line with the times. No, it is not the rate of commission which has brought our industry to its present sorry position. Who missed the boat? Who let the industry down? Certainly not we agents who are out on the production firing line. What concerns us so deeply now is the ineffectual answer which some of our insurance companies are giving to this problem—the cutting of commissions is not a courageous answer and is really not the answer at all! Perhaps what is needed is a Gaither report for the insurance industry.

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"It is a sad commentary on agent-company relationship when we agents have never heard the voices of industry leaders, either in private or public gatherings, raised in defense of the commission scale.

"Are we earning our commissions? I wonder who the leaders of our industry think are keeping premiums on their books in the face of fantastic pressures from the outstanding cutraters. Nobody is dumping anything in our laps, but we are daily proving that the only sound way to bring insurance to the market place is through the American agency system. We are even asked whether we really feel we earn our full commission when we mail out a renewal policy. This sort of trite talk only demonstrates how utterly unfamiliar some company personnel must be with the time, thought and effort involved in over-all day-to-day agency service. Our misled questioners apparently forget what it really takes to build the trust that must maintain the agent-client relationship. They certainly forget what we are really offering in our very availability—perhaps they should re-read their ads.

"The industry will always find, as it has in the past, a willingness of any agent to bear *his share* of a commission slice designed to meet a special competitive situation. But the slicing of commissions to correct ills, which ills we agents definitely feel were not brought about by the commission scale, will be resisted vigorously.

"It is too easy for a company executive to scan his financial reports and let his eyes fall upon the agent commission portion of acquisition cost and say, there's the rub."

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Insurance Section Of N. Y. Bar Assn. Sets Annual

The insurance law section of New York State Bar Assn. will hold its annual meeting Jan. 30 at the Hotel Biltmore in New York. William J. Herron, New York, chairman of the insurance law section, will preside. He also will moderate a panel discussion of the preservation of the current system for the administration of justice in personal injury cases. Panelists include Justice Hart of the Supreme Court, Brooklyn; Leonard H. Amdursky, Oswego, vice-chairman of the insurance law section; Robert H. Kilroe, New York, president of Metropolitan Trial Lawyers Assn., and Frederick S. Benson, resident secretary of Lumbermens Mutual Casualty in New York.

Also on the program will be a discussion of relations between home office counsel and trial counsel by Karl Faust, vice-president of American Home, and William F. X. Geoghan, New York attorney.

State Sen. Edward J. Speno will speak on highway safety at the annual luncheon. Superintendent Holz of New York and Angela R. Parisi, chairman of the state workmen's compensation board will be guests.

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Following a business session the meeting will close with a panel on trauma and arthritis, moderated by Emile Z. Berman, vice-chairman of the trial lawyers section of the association. Dr. Mendel Jacobi and Dr. Leon Rothman of Brooklyn, James Dempsey, Peekskill, and Isidore Halpern, Brooklyn, will comprise the panel.

Tells Benefits, Problems Of Decentralization

(CONTINUED FROM PAGE 15)

more than this amount when the office opens, less when the time comes to split.

Are there any disadvantages to decentralization? A few, concedes Mr. Rust, but they are far outweighted by the benefits. He lists these main problems:

1. When a new office opens, service slows up and errors increase during the first few months of operations. This situation improves as new employes learn their jobs. To minimize this problem, key supervisory people are transferred in from other offices. Other experienced personnel come in on temporary duty as trainers. Some employes are hired well ahead of the opening date and are trained at another office. No matter how it's approached, Mr. Rust points out, the office necessarily opens with a high proportion of relatively untrained people.

2. Employe communications are complicated, not only by the length-ended lines of communication between the home office and the 15 regional offices, but by the different social, educational and cultural backgrounds of people in different regions of the country. Each of the offices has its own employe publication, and early in 1957 the home office introduced a long-range communications program built around this newspaper network.

3. Administrative overhead costs are higher, because of necessary duplication of certain functions.

4. Executive travel is greatly increased. Staff and line people from the home office must spend more time away from the office, and regional executives commute back and forth for home office conferences.

Some of the 15 offices house life company regional headquarters, fire company headquarters or both, in addition to auto company operations. As the life and fire subsidiaries grow, they will move into more of the regional offices; eventually, each office will house regional headquarters for all three State Farm companion companies. Offices are located at Berkeley, Cal., Marshall, Mich., Charlottesville, Va., Jacksonville, Fla., Birmingham, Santa Ana, Cal., Murfreesboro, Tenn., Springfield, Pa., Columbia, Mo., Lincoln, Neb., Bloomington, Ill., Dallas, Salem, Ore., St. Paul, and Toronto.

Employment at each ranges from a low of 150 in the Canadian office to more than 700 at the midwest.

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With physical decentralization complete, State Farm in November announced a program of management decentralization. At present, the regional offices handle only the operations side of the business. Agency functions are administered out of the home office under A. W. Tompkins, executive vice-president-agency; Henry T. Keller, vice-president-agency; four regional agency vice-presidents in the home office and an organization of state directors. The management decentralization program will combine agency and operations responsibilities at the regional level.

First of what the company terms "fully integrated" offices will be the Springfield office. T. J. Kiesselbach, now a regional agency vice-president, will move to Springfield this spring with broad agency-operations responsibilities in the three-state region served by this office.

"By bringing company services closer to the public and to our field people, we can do a better job for our policyholders," said Mr. Rust. "This is the aim of everything we do as a mutual company."

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Shoots Self And Three Children To Death

Mrs. Yvonne Cavenaugh, 34, estranged wife of Robert Cavenaugh, secretary of Illinois Commercial Men's Assn., Chicago, was reported in the daily papers last week to have shot herself and the couple's three children to death in their home in Reno. The children were Anthony, 9; Carol, 8 and Kevin, 4. The couple, who had been married about 10 years, had been separated for about six months. Mr. Cavenaugh is also head of Universal Life at Reno.

According to Mrs. Cavenaugh's attorney, she was released from a private mental hospital about four months ago and had not seemed depressed at a recent visit to his office to discuss property settlement and a legal separation from her husband.

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The Lester B. Martin agency of Maumee, O., has become **Martin-Crothers** agency. A partnership has been formed by Lester B. Martin, Earl M. Martin and Kenneth T. Crothers. Mr. Crothers has recently been with Hylant-MacLean agency of Toledo. Before that he was with Royal-Globe as field representative for 13 years.

Most Insurers Reducing Commissions In N. Y.

(CONTINUED FROM PAGE 1)

duction in commission on class 2 to 10%, observers wonder what will happen to commissions in New Jersey, where the commissioner is insisting on approving only about half the rate increase the companies asked for, at least on liability.

Aetna Casualty is going to 15% in New York City for BI and PDL on passenger car business and to 10% on class 2 state wide.

America Fore has reduced BI, PDL, medical payments and miscellaneous related liability coverages on private passenger cars to 15% in the five boroughs of the metropolitan area, effective Feb. 1. Upstate the 17.5% for BI and the 20% for PDL, medical payments, etc. have been combined into a single commission of 18%, which is said to work out to about the same dollar figure. PHD continues at 15%.

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Commercial Union-Ocean has gone, state wide, to 15% for BI and PDL and to 20% for PHD on private passenger cars.

Fireman's Fund has geared its reductions to loss ratio (as has American Surety.) For producers with a loss ratio of 56% or lower there is no commission change by Fireman's Fund. If it is higher, the commission is 12.5% for BI and PDL, 20% for PHD, and 10% for class 2, state wide.

Great American has modified metropolitan commissions for all autos except public passenger, long haul and class 2 private passenger. On the first $1,000 of standard premium the new commission is 15%, on the next $4,000 it is 12%, on the next $25,000 it is 9%, and on premium of more than $30,000 it is 6%. For public passenger, long haul and class 2 private passenger cars in these premium brackets commissions are 10, 8, 6, and 5%. PHD is 20%. These changes, as is the case with most of the companies, are effective Feb. 1.

Hartford Accident is modifying commissions in the five boroughs to 15% for BI and PDL and 10% for class 2, with no changes in the remainder of the state.

Hall & Henshaw, the general agency, went to 15% for BI and PDL state wide Jan. 1.

Home Indemnity Feb. 1 goes state wide to 15% on private passenger and commercial (50 mile radius) cars and garage liability, and 10% on both class 2 and class 3 private passenger cars.

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Maryland Casualty is going state wide to 15% for BI and PDL and to 20% for PHD.

Phoenix of Hartford has quit offering installment on individual auto coverage where the premium is less than $100.

Royal-Globe is going to 15% state wide on classes 1 and 3 non-fleet private passenger business and garage liability and to 10% on class 2 private passenger risks.

In addition to going to 10% state wide on class 2, Travelers has gone to 15% in the five boroughs. It has made no other changes.

U.S.F.&G. is going Feb. 1 to 15% in the five boroughs on BI, PDL, medical payments and miscellaneous, and to 10% state wide on class 2.

Other companies have made or planned similar modifications of auto commissions. The New York City agency overriding on auto liability is reported to have been reduced from 7.5 to 5%.

Representatives of New York and Connecticut producers conferred this week in New York with the conference committee of National Bureau on the commission situation.

The movement toward a 10% commission on class 2 business is said by some to be of more significance even than the other auto commission modifications that are being made because of the public relations problem involved. This is a serious one for the companies, because it involves the other business of a family and the future business of the young driver. But it is an even more serious problem for the agent who lives in the community with the family and probably has its business as well, possibly, as the coverage on a commercial enterprise owned or managed by the head of the family.

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Home Makes Officer Shifts, Promotions

(CONTINUED FROM PAGE 5)

in 1938. He was elected assistant secretary of the company in 1953 and secretary in 1955. Mr. Somerville, who has been in the service department of Home since joining the company in 1933, was elected an assistant secretary in 1952 and secretary in 1953.

Philip S. Rowan, secretary of Home at San Francisco, has been elected vice-president and secretary of Home and Home Indemnity, to succeed the late George E. Stroub. He will have complete jurisdiction of the operations of Home and Home Indemnity in the Pacific coast states, mountain states, Alaska and Hawaii.

Mr. Rowan joined the company in 1924 in the improved risk department at the head office. In 1930, he transferred to the Canadian and Pacific department where he became assistant secretary in 1947 and secretary in 1950. In July, 1951, he transferred from the head office of the company to San Francisco.

Fernando S. Mostero, general manager of Home Indemnity's Pacific department at San Francisco, has been elected assistant secretary of Home Indemnity and Home. He will continue in charge of the indemnity company's operations under Mr. Rowan and will assume additional executive duties for both companies. He joined the company in 1949 as a special agent at Los Angeles. He was made manager of that office for Home Indemnity in 1951 and in 1955 was appointed general manager of that company's Pacific department at San Francisco.

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I would be glad to discuss this proposition with anyone qualified, who would like to live in a small town. We think it is a pretty good area to raise children and not spend a large portion of your life getting to and from work as you do in the big city. We have 22 churches and adequate and competent school systems.

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Immediate opening in Mansfield home office. Salary commensurate with experience and background. Company car furnished and expenses. Rating bureau experience helpful or engineering background. Send résumé to: PERSONNEL MANAGER, THE LUMBERMENS MUTUAL INSURANCE COMPANY, MANSFIELD, OHIO.

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Sees Two Tough Problems For Agents In 1958

(CONTINUED FROM PAGE 2)

our consideration of the obvious. Take a look at your own accounts receivable ledger. You may find that your agency is not as liquid as you thought. Most authorities state that the accounts receivable at the end of a month should never exceed 1½ times that month's production. If it does exceed this figure, the agency is in collection troubles. Some of those accounts are certain to be aged beyond a safe limit.

Companies are going to be watching their balances more carefully in 1958. In the industry, there will be less leniency with slow-paying agents. It will be necessary for the agent to regard his customers in the same light as the companies will be regarding him.

Now—for the second problem. This faces the companies, but the solution is with the agencies. We refer to the automobile situation.

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The industry has endeavored to solve the automobile loss ratio situation with rate increases. It hasn't worked. The records in annual statements will establish that fact. The companies which ended 1957 without an automobile underwriting loss are few and far between. Anyone who has read the six-month reports, already knows this.

The basic economic reason why rate increases cannot solve the problem is apparent after some thought. There is a point where the high premiums drive the good business off the market. Whenever you drive a good risk out of the market because of his refusal to pay a high premium, you have lost the benefit of the increase which you receive from several less favorable accounts.

The solution to the automobile loss problem which faces the companies lies with the agent. The business has gone beyond that point where an underwriter can solve it alone. He can secure reports, use his best judgment, and still end up with an underwriting loss.

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The underwriter must have the underwriting help of the producer at the customer's level. He must keep accurate loss records, and at renewal time, analyze each account. He must give consideration to each draft paid to, or for, his insured. If frequency is imminent he must endeavor to do some safety engineering himself. Warning insured in the middle of a policy term may save a risk at renewal time.

He must screen his renewals. If there has been loss trouble, particularly frequency, he should contact this insured and tell him to take his business elsewhere. This is where the collateral business does not warrant further consideration.

On new business, he must screen this before binding the company. Most agents, who are conscious of the importance of the loss situation, will not accept a new automobile risk without talking with insured long enough to decide whether he is acceptable. There was the time when producers could accept any new business and leave it to the company to ferret out the undesirable. This time is past. The agent must help spot the undesirable.

Only the cooperation at the customer level will enable an agent to make a profit for his companies in the automobile field.

Says Losses No Reason For Cutting Commissions

(CONTINUED FROM PAGE 2)

the same time as casualty lines. High loss ratios primarily result from inflation, higher damage awards, rates, the constant broadening of coverages, and an increasing breakdown in business morality. Most property losses are partial losses, and since insurance has not kept up with the increase in values, companies are paying losses based on higher values than those on which premiums were based. This is especially true of properties which are insured without coinsurance, he said.

Higher court verdicts by judge and jury affect not only court cases, but cases which never get to court.

Rates involve practical consideration of politics. The increasing rate regulation during the past decade has made rate reductions easy, but needed rate increases at times impossible.

The homeowners is only one example of insurance in which coverage frills seem to outweigh the fundamental idea of protection against a catastrophe.

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Finally, he said, in business there is a double standard: It's stealing to take from an individual but not from an insurance company. This "get all you can" attitude, combined with the broader frill coverages is producing a problem of loss consciousness, he said, which will have to be overcome by higher rates or an across-the-board deductible.

A good bit of the confusion existing in the business today is the result of trying to treat these problems of high loss ratios and direct competition as one. It can't be done. The fact that companies are experiencing high loss ratios is no reason to reduce commissions, yet within the business and without people are calling for lower commissions to reduce the effect of high loss ratios on the companies.

Commissions are a payment to the producer for the performance of certain duties, one of the most important of which should be selling. If insurance can be efficiently sold for a lower commission, he said, then it will be so sold regardless of whether loss ratios are high or low at any particular time.

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The current problem of high loss ratios will and must be solved regardless of direct writer and specialty insurer competition. On the other hand, if the problem of high loss ratios were solved overnight, direct and specialty company competition would still prevail. This is a long range problem, while the loss ratio problem is one of relatively short range.

Most people who discuss the problem of direct writer and specialty company competition dwell primarily on cutting the price of the agency company product, and usually advocate the necessity of cutting the acquisition cost in order to cut the price. This is important, but it is only one part of the answer.

If simply being able to sell insurance at a lower cost was the answer to the competitive problem, then the agency mutuals in New England would have had the world by the tail for the past couple of generations, he pointed out. But during that time those mutuals have not cut substantially into stock company premiums nor have they prevented the rise of direct writers and specialty companies. Surely then, he said, simply providing agents with a lower cost product is not the answer to more sales or to direct and specialty company competition.

The answer, in great part, he said, is seeing people. The biggest failure of the agency system is not high commissions; it is that its agents do not see people. There are vast new markets in the suburban areas. There are vast numbers of people who are now middle class wage earners who have never been visited by an agency system representative. Not so the direct and specialty salesmen who have nothing to do except to see the people. With a supervisor breathing down their necks, they have seen the people in these vast new markets and have sold these people—usually with no competition from an agent. Whose fault is this? It is the fault of both companies and agents, he said.

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Agents frequently say they do not have time to both give service or present business and sell these new markets. With rapidly changing averages, most agents seem to have all they can do to protect their present clientele. Much of their time is absorbed by office work other than selling. Yet these same agents, he said, bitterly fight any of the suggestions that have been made to give them more selling time by taking some of the routine detail, such as collections, off their shoulders. These agents also say that under the existing system of remuneration, they can't afford to recruit new sales manpower.

What about the companies? What have most companies done to assume their responsibility for educating their agents either in terms of product knowledge or salesmanship? True, a few companies have put on six, seven, or eight-week schools for their agents. However, he stated, what the business needs is not a six or seven-week school, but a full-fledged college where young men can be trained for insurance not only from the standpoint of knowing the product but also from that of merchandising. The school might provide a year's study.

This is a responsibility of the companies, as is also, at least in part, the problem of recruiting more new men for agencies. If agency companies and agents are successfully to hold or increase their share of the market, either there must be more new agents out selling or more effective sales use must be made of the agents now in the business.

"If we stand pat and simply say no to each change as it is suggested, if we say that the American agency system must remain exactly as it has been for the past 50 years, if we are not willing to adapt ourselves by taking the best from our competitors and combining it with the best of our own, then we may find ourselves on the way out," he said.

Push Lifetime A&S Policy Bill Again In New York

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tect against duplicate coverage and over insurance.

The third bill would prohibit group or blanket A&S policies from denying benefits for pre-existing conditions. It would prohibit the requiring of evidence of insurability for any person when a policy is newly issued to a group. It would bar termination or reduction of insurance in group policies due to age or physical condition and would not allow a benefit schedule to recognize differences predicated on age or physical condition.

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Evidence of insurability could not be required of a new employee under an existing contract, except when he does not choose to enter the group within 30 days after he becomes eligible.

The final bill, a short one relating to direct payment family contracts issued by "non-profit" plans, would amend the law to provide a definition of "family member" consistent with the definition in the law regarding A&S contracts issued by insurance companies. Children, whether dependent or not, are covered only until the 19th birthday. Under this amendment, children could be covered until any age and any children, whether or not dependent on insured, until the 19th birthday. This provision would be permissive and would not require a plan to extend its current definition.